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Croats accused of blocking EU plan to reunite Mostar

German diplomat Michael Steiner, a senior envoy to Bosnia, said Bosnian Croat extremism was threatening to wreck the European Union's efforts to reunite the city of Mostar, an important step in reuniting the country. He urged Croatian President Franjo Tudjman to act against the extreme nationalists and warned that UN police, backed by Nato forces, would be deployed in the city if necessary. Page 2; Series: hire British PR strategist, Page 16

Irish see little gain in joining ERM Dublin's finance ministry said Ireland's participation in European economic and monetary union would produce only modest gains in output, employment and trade even if the UK, Ireland's main trading partner, joined as well. Page 16; Leaders and laggards in regional aid stakes, Page 2

Bass and Carlsberg merger stalls: Attempts to avoid a referral to the UK's Monopolies and Mergers Commission are holding up a merger of the UK brewing interests of Bass and Danish brewer, Carlsberg. Page 17

G7 fails to reach gold sale deal: The Group of Seven leading industrial countries again failed to agree on the sale of part of the International Monetary Fund's gold reserves to finance debt relief for poor countries. Page 4

Buyer sought for Banco de Napoli: Rome is attempting to find a buyer for one of Italy's largest banks, Banco di Napoli, by the end of this year to head off European Commission objections to a planned €2,000m (£1.3bn) cash injection. Page 17

Spain moves to calm budget fears: Spain moved to reassure international markets that the country remained on track for European monetary union after news of a budget overshoot of Pta322bn (€4.2bn) by the former Socialist government. Page 2

SBC Warburg, the investment bank created by Swiss Bank Corporation's acquisition of SG Warburg, has lost nearly a third of its largest UK corporate finance clients since the takeover. Page 17

Turkish hunger strike: About 30 Turkish prisoners are in intensive care and several could die after a 68-day hunger strike which ended at the weekend after the government agreed to many of their demands. Page 2

Envoy to rule on N-test ban: Envoy at a 61-member United Nations disarmament conference are expected to say whether they will back a draft nuclear test ban treaty after talks ended last month without agreement. Page 8; Editorial Comment, Page 15

Algeria tries cartoonist: The trial of an Algerian newspaper cartoonist accused of desecrating the Algerian flag is due to begin today, after he spent the past three weeks in a top-security Algiers prison. Page 3

Venezuela's debt falls: Work to reduce Venezuela's \$30.6bn public debt is making progress after the implementation of an economic plan backed by the International Monetary Fund. Page 4

Crickets: England ended the fourth day of the first Test against Pakistan at Lord's, London, on 71 for one in their second innings, chasing 405 to win.

Berger misses out as engine blows up



Austria's Gerhard Berger rides back to the pits with Benetton team-mate Jean Alesi in the German grand prix at Hockenheim. The engine in Berger's car blew with three laps to go, handing victory to Britain's Damon Hill in a Williams-Renault, with Frenchman Alesi second and Canada's Jacques Villeneuve, also in a Williams, third.

European Monetary System: In a week marked by the Bundesbank's decision to leave the repo rate at 3.3 per cent, the guilder climbed one place to top the EMS grid, while the peseta fell two places. The spread between strongest and weakest currencies was little changed. Currencies, Page 23

EMS: Grid

July 26, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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The Nissan effect How Japan primed UK productivity

Stefan Wagstyl, Page 15



Michael Prowse Bob Dole's vision for schools

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MONDAY JULY 29 1996

Sport

Olympics, plus
horse racing

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Clinton pledges fresh action against terrorists

By Patti Waldmeir in Washington
and Peter Aspinwall in Atlanta

President Bill Clinton yesterday vowed a new offensive against terrorism, after the weekend bomb blast which cast a pall over the Olympic Games in Atlanta and heightened Americans' fears of terrorist attacks.

FBI agents and police hunting for a white American male in connection with Saturday's bomb said they were making good progress with some "promising leads".

Spectators in Atlanta refused to be deterred by the bomb at the Centennial

Olympic Park, returning to sports events in large numbers amid a heavy show of security by local law enforcement. The bomb, which exploded during a rock concert in the early hours of Saturday morning, killed one person and injured more than 100. Fifteen people were still in hospital yesterday, three of them in critical condition.

Addressing a convention of veterans in New Orleans, Mr Clinton said: "Terrorism is a problem that knows no boundaries. No place is safe when any place is vulnerable to terrorism."

Mr Clinton added that he had summoned Congressional leaders and law

enforcement officials to a White House summit on the issue later today.

He would also call for tougher action when ministers from the Group of Seven industrial nations and Russia meet tomorrow for a pre-arranged meeting to look at practical measures to combat terrorism.

It may be the most significant security challenge of the 21st century," he said.

Saturday's bomb sparked a rush of copycat bomb threats both in Atlanta and throughout the country. In the Olympic capital, police responded to dozens of reports of suspicious packages in

the hours following the blast, evacuating several venues and blowing up a duffel bag found to contain a clothes iron. A bomb threat in Washington DC closed a train station, and in Washington state a ferry was stopped from operating.

The White House said investigators were pursuing "a number of leads". Mr Leon Panetta, White House chief of staff, said police had no specific suspect, but the investigators were assuming that the bomber was a domestic terrorist, possibly a member of a rightwing militia group.

Investigators at first said the rudimen-

tary nature of the explosive device - three pipe bombs tied with nails and screws - led them to believe the bomber was an amateur. But they later said the timing device used was relatively sophisticated. A police spokesman said they were looking for a man who placed a call to the emergency service warning of the bomb. They said the caller was a white American man with no discernible accent. Saturday's bomb added to a growing sense of vulnerability among Americans. Concern has deepened as

Continued on Page 16
Home-grown terror, Page 4

EU nations underspend on regional aid by \$24bn

States withhold funds to meet Maastricht targets

By Lionel Barber in Brussels

The European Union is massively underspending on its poor regions aid budget because governments are holding back matching funds in an effort to meet targets for economic and monetary union next year.

A European Commission report reveals a mountain of untapped credits that has risen from Ecu5.5bn in 1993 to more than Ecu20bn this year - almost as much as the entire annual budget for regional aid.

The slow take-up of Brussels money reflects a new budget austerity in member states, particularly in Belgium, France and Germany. The problem of them of claiming from the fund is that they would have to match any amounts they provided with contributions from their own budgets.

Regional aid - or structural funds - is the second most important chunk of the EU budget and accounts for around Ecu25bn a year. The money is used for co-financing roads, modernising fishing fleets, bolstering declining rural regions, and on measures to fight long-term unemployment through the so-called Social Fund.

The survey shows that southern member states such as Greece, Portugal, and Spain are far better at winning approval for structural funding than their northern counterparts.

The notable exception is Italy, which accounts for almost a quarter of committed but unspent aid. Italy still holds

claim to Ecu758m which was approved between 1986 and 1989, according to the Commission.

The biggest portion of EU spending goes on the common agricultural policy which, paradoxically, also showed an Ecu1bn underspend last year. The shortfall was due to cuts in production and a corresponding fall in support to farmers.

A senior Commission official said the determined figure of Ecu1bn was artificially inflated because it included Ecu14m in commitments made in 1994-95.

Mrs Monika Wulf-Matthes, EU regional affairs commissioner, is stepping up pressure on governments to meet their commitments. She has warned the Italian government that it must spend the 1986-89 funds by the end of next year.

She has sent the same message to other EU governments over the Ecu5.5bn which accumulated between 1989 and 1993 but remains unspent.

The scale of underspending raises questions about the 1992 deal which provided for an increase in the EU budget from 1.25 per cent of EU gross domestic product to 1.29 per cent by 1999.

It is likely to strengthen the hand of the British, Dutch, Germans and Scandinavians, who intend to take a tough line in future negotiations despite the cost pressures of enlargement to central and eastern Europe.

Leaders and laggards, Page 2

Dublin and Eamonn, Page 16



Indonesian police and government supporters clearing up the streets of Jakarta yesterday after troops stepped in to quell the worst political violence to hit the capital in 30 years. Report, Page 16; Indonesia restless under Suharto's tight rein, Page 3

Picture: Associated Press

Swissair gambles on inflight casinos

By William Hall in Zurich

Swissair, Switzerland's national airline, plans to give a lift to gambling's high-rollers. It has ordered an \$80m inflight entertainment system which will turn its 21 long-haul jets into a fleet of flying casinos.

Swissair's first foray into gambling should be in operation by November. Other airlines are investigating the possibilities of similar ventures, but Swissair believes it is the first large carrier to announce plans for gambling on all its long-haul flights.

Passengers will be able to start gambling without leaving their seats which will contain a 9.5 inch interactive screen. They will access the system by a credit card swipe and enter the amount of money they wish to gamble.

Winnings will be credited back to their credit cards. Initially,

individual losses will be limited to \$100 and winnings to a maximum of \$1,000. However, gamblers who find themselves on a winning streak will be able to continue to play by reswiping their credit card.

The Swiss national lottery will get a share of the winnings and players will have to be content with games such as bingo rather than poker or blackjack.

British Airways is running trials of an interactive entertainment system. It includes gambling and an expanded choice of video and other services.

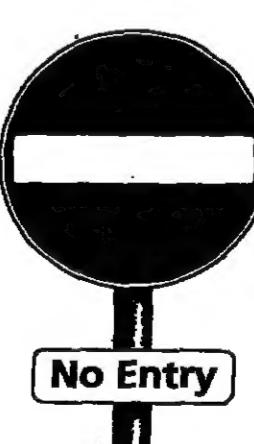
BA has set a \$10 limit on gambling losses and maximum amounts for winnings are set

according to the price of a passenger ticket.

Virgin Atlantic also believes that gambling will form part of the next generation of inflight entertainment. But it said the technology must be proved

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Business travel, Page 10

MORSE



No Entry

For any organisation considering an Internet or intranet solution, security is a prime concern. There is now a wide range of products available to protect networks against unauthorised traffic.

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UN environment chief under pressure not to seek new term

By Leyla Boultton, Environment Correspondent, in London

The US and the UK could have a disproportionately big say in who runs UNEP for the next four years.

Ms Dowdeswell says she has not even thought about whether she would like a second term in a job she describes as "a wonderful challenge". But she rejects many of the criticisms made of UNEP, including the charge that its work is insufficiently focused.

Criticism of her is as much about style as substance. "We don't need a bureaucrat to head this organisation," says Ms Kileen Clausen, US assistant secretary of state for international environmental affairs.

"We need someone with a strong political sense. We take a consensus-building among 150 countries to make this work."

Mr John Gummer, UK environment secretary, said: "UNEP

ought to be the trailblazer on the environment, yet it is confused and its messages are not clear."

Several other countries, including France, the Netherlands and Brazil, are dissatisfied with UNEP's performance. Mrs Corinne Lepage, French environment minister, says: "We are not getting everything we want from UNEP."

Brazil has proposed an alternative candidate, Mr Enrique Cavalcanti, a recent chairman of the UN Commission for Sustainable Development. He would combine the advantage of a third world background with a high standing among industrialised nations which foot most of the bill for UNEP's activities. With headquarters in Nairobi, UNEP is the only UN organisation based in Africa.

Doubts afflict conscience, Page 3

CONTENTS

NEWS: EUROPE

Bildt deputy says small group of extremists blocking effort to reunite city

Envoy attacks Mostar's Croat 'mafiosi'

By Laura Silber in Belgrade and Bruce Clark in London

Mr Michael Steiner, a senior envoy to former Yugoslavia, yesterday attacked Croat extremism which he said was threatening to wreck the European Union's efforts to reunite the city of Mostar.

His attack on a "small group of mafiosi figures" who were wielding power in the divided city reflected mounting EU anxiety over the possible consequences of a definitive breakdown in its efforts to bring the two halves of Mostar together.

Such a failure would set a dark precedent for reuniting Bosnia, and deal a devastating blow to the credibility of the EU as a force in the region, European diplomats fear.

Mr Steiner, a German diplomat who

is deputy to the international mediator Mr Carl Bildt, accused hardline Croat "godfathers" of wielding power "at the expense of Croat and Bosniak [Moslem] citizens alike" and said: "As long as they can influence events, it will be very difficult to get real progress in Mostar."

He called on Croatia's President Franjo Tudjman to bring to heel the extreme Croat nationalists in west Mostar - who in 1993 mounted a ruthless siege of the city's mainly Moslem eastern half.

The German diplomat said some of the Bosnian Croats who seized control of west Mostar during the 1993-1994 war against the Moslems could "appear on the list of indicted war criminals" named by the UN tribunal in The Hague.

He also warned that UN police,

backed by Nato forces, would be deployed, if necessary, to ensure that the Croats abandon their boycott of the results of last month's municipal elections where the Moslems won a 21-17 seat majority.

Tensions between the two communities has highlighted the instability of the Moslem-Croat federation which forms 51 per cent of Bosnia, while the remainder is under Serb control.

Mr Krešimir Zubak, the Croat president of the federation, has accused the Moslem authorities of merely pre-

tending to support multi-ethnic Bosnia while masterminding the recent destruction of the last remaining Catholic church in the central Bosnian town of Bugojno.

As western policymakers prepare

for the Bosnia-wide elections of September 14, which are supposed to knit

the country together, there are continuing signs of tension between US and European officials - and fears that each side will blame the other for the inevitable setbacks.

Mr Richard Holbrooke, the US official who brokered the Dayton peace accords, pulled off a spectacular success when he re-emerged on the scene this month and forced Mr Radovan Karadžić, the extremist Bosnian Serb leader, to leave public office.

During Mr Holbrooke's visit, it was painfully obvious west European diplomats were being shut out of the negotiating process. Last week, Washington again took charge, arranging the landmark visit to Belgrade of Mr Ejup Ganić, Bosnia's vice-president.

Some European officials, while warmly welcoming Mr Karadžić's pledge to quit public life, are resentful

of the widespread impression that Mr Holbrooke's toughness had succeeded where Mr Bildt's more low-key approach had failed.

To rub salt in the wound, the Bosnian press published part of a letter from Mr Bildt to EU foreign ministers in which he apparently drew attention to the disadvantages of reimposing sanctions on the Serbs.

The press report did not mention the other part of the letter, which indicated that military action to apprehend Mr Karadžić would be preferable to sanctions, in the event that all efforts to force him out of office failed.

US officials, for their part, have been lavish in their praise for Mr Steiner - and no more than formally polite, at best, in their recent comments on Mr Bildt.

Leaders and laggards in EU regional aid stakes

European Commission survey provides an insight into where the money goes - or doesn't

By Lionel Barber in Brussels

Behind the raw statistics in the latest European Commission survey on regional aid spending is the question: does the EU have more money than it knows what to do with?

Such remarks are regarded as heresy in Brussels. Regional aid is the second most important spending programme behind the common agricultural policy. It has come to symbolise the political "solidarity" between the richer northern countries, the poorer south, and outlying regions.

Yet there is no denying the size of unspent funds in the structural aid budget.

In 1993 and 1995 alone, almost Ecu2bn (£2.5bn) was left untouched.

The accumulated total of Ecu2bn going back to 1986 is also a source of embarrassment, even if it is inflated artificially because it takes no account of the slow take-up at the start of the 1994-99 spending cycle.

The Commission survey looks at the four chief catego-

ries of regional aid: Objective 1 for poorer regions with income levels of 75 per cent (or less) of the EU average; Objective 2 for areas of industrial decline; Objective 5b for declining rural regions; and Objective 6 for the Arctic regions of Finland and Sweden.

A closer look at the statistics offers an insight into the politics and economics of regional aid, as well as a guide to the leaders and laggards among member states in winning approval for projects and executing them on the ground.

The star performers are Portugal and Ireland.

These countries receive additional financial support from Brussels through so-called "cohesion funds" and are past masters at winning and using EU aid.

Spain also scores highly, though its performance is slightly exaggerated because it is such a large recipient of funds and the total figure, again, includes the slow start-up in 1994-96.

The poorest performers are Italy, Belgium, Britain, France,

and to a certain extent Germany and the Netherlands. Italy alone accounts for a quarter of the Ecu2bn backlog; but as with several other countries it showed an incapacity to translate Brussels' approval for projects into actual work on the ground.

Thus, in 1994/95, the Italians won Brussels' commitments amounting to 69 per cent toward the planned projects; but the actual EU payments fell to 35.3 per cent as a result of delays on the Italian side. Italy has traditionally found it difficult to present suitable projects in a timely fashion to Brussels, but another reason for its poor performance is linked to the arrest of some local officials on corruption charges.

France showed a similar shortfall, with commitments of 73.8 per cent failing to actual payments of 37.9 per cent.

The equivalent figures in 1994/95 for the Netherlands are 59.7 per cent and 30.1 per cent. Belgium showed a fall-off from 63 per cent to 33.8 per cent. Its poor performance is attributed

to the fact that it qualified for the first time for Objective 1 status in a controversial deal which encompassed parts of north-eastern France.

Officials characterise "the biggest weakness in the system" as a country's ability to carry over commitments from Brussels to future budgets. But Mrs Monika Wulf-Mathies, regional affairs commissioner, hopes to rectify this with a clean sheet starting from the end of next year.

Commission officials blame

tight national budgets across the EU, chiefly because member states, particularly in the north, are reluctant to commit money to projects when they believe the savings could be used more profitably to bring down public deficits in an attempt to meet the targets for monetary union next year.

But Britain also fared badly, falling from an initial 62.4 per cent on commitments to 38.8 per cent in payments. Officials, however, also blame the British government for refusing to

take advantage of EU regional aid on ideological grounds. The suspicion is that the Tory government does not want to be seen "in bed" with Brussels or encouraging future increases in regional aid.

One area stands out for criticism: the rural aid programme which is run by DGX, the farm directorate at the Commission. The take-up in this programme is so slow that it only reached 36.9 per cent in 1994/95. The figures are "catastrophic," admits one official.

INTERNATIONAL NEWS DIGEST

Madrid tries to calm nerves

Spain's new centre-right government strove over the weekend to reassure the international markets that the country remained on track for European monetary union, after news of budget overshafts by the former Socialist government penalised the peseta and domestic bonds late on Friday.

The government, which took office in May, intends to raise taxes on tobacco and alcohol by 3.4 per cent this week to meet the cost of extra borrowing totalling Pts452.2bn (£4.2bn). Late on Friday, the peseta dipped to its lowest level against the D-Mark since the spread for the 10-year bonds, which had narrowed significantly following the formation of the Popular party government, widened.

Officials said the decision to take unpopular decisions such as raising taxes to deal swiftly with the spending accumulated by the outgoing administration signalled the government's commitment to improve public finances ahead of Europe's single currency.

Tom Burns, Madrid

No extension of EU duty-free

The European Commission will announce today that it has accepted a report recommending no extension of duty-free sales on journeys between EU states beyond June 1998.

Union finance ministers voted unanimously in 1992 to abolish duty-free sales on intra-EU journeys, in line with the principles of the European single market. But they granted a six-year extension of the duty-free concession after creation of the single market in 1993, to give EU states time to prepare. They asked the Commission for a progress report half-way through that period.

Travel operators and retailers have lobbied vigorously for a further extension, arguing that the \$6bn-a-year trade creates jobs and reduces travel prices. But Mr Mario Monti, single market commissioner, sees no case for a further extension. His report is highly critical of duty-free operators for failing to enforce limits on the amounts of duty-free goods passengers can buy, and expresses concern at the apparent lack of progress in preparations for ending duty-free sales.

The report will go to EU ministers and the European Parliament for discussion. It does not affect duty-free sales on journeys to countries outside the EU.

Neil Buckley, Brussels

Call for Liberia elections

The Economic Community of West African States agreed at the weekend that elections should be held in Liberia within nine months, and that sanctions proposals should be drawn up against warlords. The news was given by Mr Mohammed Ibn Chambas, Ghana's deputy foreign minister. However, the official statement at the end of the two-day annual summit in the Nigerian capital, Abuja, made no mention of either sanctions or elections.

The bloody six-year war in Liberia has menaced the entire region with instability and an Ecowas peacekeeping force was sent in 1990. More than a dozen accords between rival ethnically based militias have failed to end the fighting, while the cost of maintaining the 10,000-strong force has mounted.

Rival Liberian leaders were split yesterday on the elections plan. The main sticking point has been how to disarm an estimated 60,000 combatants before some kind of elections are held.

Reuter, Abuja

Japanese pledge to Vietnam

Japan's foreign minister, Mr Yukio Hatoyama, yesterday wrapped up a two-day visit to Vietnam by promising support for the country's entry into the Asia Pacific Economic Co-operation (Apec) forum and the World Trade Organisation. Vietnam has asked Apec to lift a moratorium on new members to grant a special exception now that it has become a member of the Association of South East Asian Nations (ASEAN).

Mr Ikeda also promised technical assistance for Vietnam to meet the requirements for joining the WTO.

During his visit, he held talks with the Communist party general secretary, Mr Do Muoi, and the deputy prime minister, Mr Tran Duc Luong. He also witnessed the signing of several agreements, including a \$32.5m grant to rebuild bridges in northern Vietnam.

Japanese aid to Vietnam tops \$600m a year. It is also the largest trading partner and among the top investors in the country.

APP, Hanoi

Chechen talks on prisoners

Russia and Chechen officials met face-to-face at the weekend for the first time since the fragile ceasefire in the war-torn republic collapsed earlier this month. A representative of Chechen separatist fighters and a senior Russian officer discussed an exchange of prisoners. A diplomat from the Organisation for Security and Co-operation in Europe, which has been arranging the negotiations, said he hoped rival military commanders would meet this week.

However, this delicate rapprochement was overshadowed by fighting in the region, where serious clashes resumed just days after President Boris Yeltsin's July 3 election victory. Yesterday, Russian helicopter gunships and artillery continued to bombard Chechen mountain villages which they suspect of sheltering separatist fighters.

Hostilities between Russian soldiers and Chechen civilians have also intensified as the Russian military has resumed a more aggressive attitude to the local people. Civilian anti-war demonstrations in Grozny, the devastated Chechen capital, were broken up over the weekend by soldiers, who fired over the heads of unarmed protesters.

Chrisy Freeland, Moscow

South Koreans die in floods

At least 53 people have died in three days of heavy rain and floods in South Korea. Another 19 are missing. Most of the dead were soldiers manning defence positions in mountainous terrain along the North Korean border.

The military casualties occurred after landslides caused by the rains buried barracks at two military camps near the demilitarised zone that separates North and South Korea. Several guard posts were also swept away.

The floods have also left 31,000 people homeless and caused an estimated Won6.5bn (£6m) damage.

John Burton, Seoul

Summit planned on Burundi

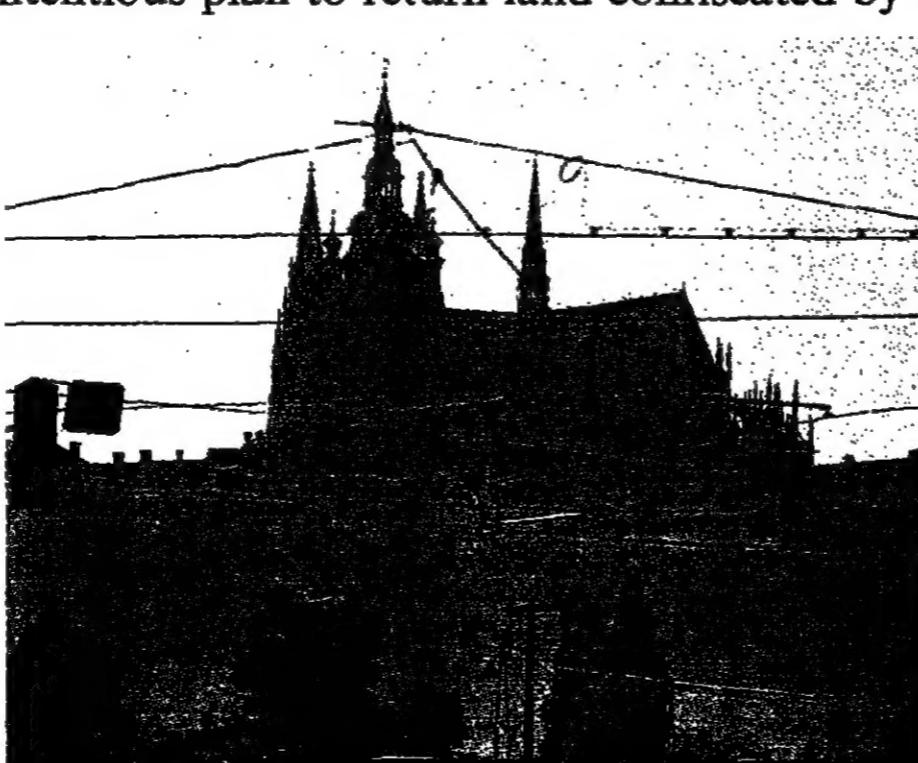
African leaders called a summit over the coup in Burundi as talks continued yesterday on the fate of its deposed Hutu leaders. In Kampala, the presidents of Tanzania and Uganda, Mr Benjamin Mkapa and Mr Yoweri Museveni, "strongly condemned and rejected" last week's army-backed bloodless coup. They announced that a regional summit would be held on Wednesday in Arusha, northern Tanzania.

Ugandan government officials said Tanzania, Rwanda, Burundi, Zaire, Kenya and Ethiopia would take part in the summit.

Agencies, Bujumbura

Czech church property prompts unholy row

Vincent Boland reports on a contentious plan to return land confiscated by the Communists



The future of Prague's St Vitus cathedral is enmeshed in a tangled legal web

Church and state have already clashed over the ownership of St Vitus cathedral, spiritual home to the Czech Catholic community. They may do so again when an appeal case wends its way through the nation's legal system is finally heard, writes Vincent Boland.

Dating from the 14th century but only completed in the 20th, the cathedral is in the grounds of Prague Castle. Ownership was originally vested in the Canons of St Vitus, an ancient Church body. Then, in 1954, the Communist regime effectively nationalised it, entrusting it to the president's office.

After the Velvet Revolution a position was launched by Catholics to have the cathedral returned to the church. This is being resisted in the courts by government lawyers.

The outcome is important both for the church, trying to reassert itself, and for a young and insecure state seeking fixed points in the cultural landscape after communism and the split with Slovakia.

produce enough income to replace the subsidies, amounting to some Kč100m (£5.5m) a year. Church officials estimate that income from the forests would amount to only Kč50m a year.

Although the opposition failed to block the restoration, it may try again. In the meantime it has said it will put forward proposals for the complete separation of church and state. In the view of one Churchman, restitution could cause economic problems for the church because it would not

gradually alienate them.

The backlash set in during the First Republic between the two world wars, when resentment at the imperial role of the church was reflected in growing official hostility. By the second world war its land holdings had been reduced to the 175,000 hectares now subject to the restitution order, representing about 7 per cent of all forests in the Czech Republic.

In the view of one Churchman, restitution could cause economic problems for the church because it would not

gradually alienate them.

The hunger strike began in May after the government claimed prisoners at Bayrampaşa and Ümraniye controlled their blocks and used cellular phones and faxes to plan terrorist operations outside the prisons. Mr Süleyman Kazan, justice minister, even said that

militants had smuggled arms into the prisons.

Although human rights campaigners are pleased the hunger strike has ended, they doubt it signifies progress in Turkey's attitude to human rights. Mr Yavuz Onan, head of Turkey's Human Rights Foundation, said: "This is a defeat for the government but I do not believe there will be an improvement in human rights.

The power of the police is

stronger than before." He added: "The government has no positive political will and no power."

Campaigners say violations have escalated, after a noticeable improvement last year, when the European Union linked progress in human rights to ratification of a customs union with Turkey. They add that little improvement can be expected until the 12-year war between Kurdish sep-

aratists and security forces ends. More than 20,000 civilians, soldiers and guerrillas have died in the fighting in southeastern Turkey.

Not only is the region the scene of most violations, but the war has strengthened the powerful security establishment and justified the stifling of dissent. About 15 per cent of the 8,300 prison population is held under Turkey's tough anti-terrorism laws.

Turkish hunger strike called off as government caves in

By John Barham in Ankara

Hundreds of Turkish hunger strikers called off their protest at the weekend, after forcing the government to accept many of their demands.

Twelve leftwing militants died last week as the 68-day hunger strike reached its climax. More deaths could follow, as about 20 protesters, now in intensive care, are very weak.

NEWS: INTERNATIONAL

Algeria press in crossfire as trial opens

By Routh Khalid in London

Journalists from Algeria's French language daily *Le Tribune* stand trial today accused of defacing the Algerian flag in a cartoon, an offence under Algerian law. The cartoonist, who compared the flag to dirty linen, has spent the last three weeks in top-security Algiers prison.

The Algerian regime's suspension of the newspaper and its fall from grace are among the harshest measures taken towards the independent press in recent years. Journalists in Algiers say they are an over-reaction by authorities to built-up irritation with *Le Tribune's* reporting, a claim *Le Tribune* officials deny.

The *Tribune* case has generated outrage from international human rights groups as well as local opposition leaders, some of whom took up the issue in recent meetings with President Liamine Zeroual. The talks were aimed at convincing sceptical opposition leaders that the president's policies were aimed at promoting democratic institutions.

Algerian newspapers have traditionally enjoyed a certain amount of freedom compared with the press in the rest of the Arab world. Since 1982, however, they have been caught in the crossfire between Islamic extremists, who burn them down because they see them as the embodiment of a system they despise, and a government that uses them to fight its campaign against Islamists.

Algerian newspapers have traditionally enjoyed a certain amount of freedom compared with the press in the rest of the Arab world. Since 1982, however, they have been caught in the crossfire between Islamic extremists, who burn them down because they see them as the embodiment of a system they despise, and a government that uses them to fight its campaign against Islamists. Since the eruption of civil strife in Algeria in 1992, more than 40,000 people have died, including over 50 journalists.

Last year newspapers were encouraged to splash across their pages gruesome pictures of violence against civilians to emphasise the danger posed by Islamists. Today, the aim is to project the image of a return to stability. Thus newspapers can face suspension if they report

on attacks not confirmed by the government.

As if violence and muzzling by the government were not enough pressure, independent newspapers have been battling for economic survival this year after the Algerian government decided to extend free market reforms to the media.

Algeria embarked on a programme of economic liberalisation in 1984 and the government has now lifted subsidies paid to printing plants and liberalised the price of newspapers.

The independent press relies so heavily on the state that even office rent is subsidised by the government.

But publishers have balked at the prospect of paying more for printing costs. Printing plants are all state-owned, overstuffed and so poor at bargaining that they pay exorbitant prices for paper. Moreover, while asking independent publishers to pay the full price for printing, money-losing state-owned newspapers which use the same presses are given a free ride.

Compensating for the increase in printing costs by raising the sale price of their newspapers is not much of an option. At a time when economic reforms have eroded purchasing power, the move could kill many titles.

Now can publishers hope to increase advertising revenue. With up to 80 per cent of advertising "derived from government enterprises and channelled through a single government agency, publishers say winning more advertising depends more on how pleased the government is with what a newspaper prints than on the publisher's marketing skills.

"There is talk of applying the free market to the press but the reality is different," says the editor of a leading paper. "No one really wants market reforms because it would mean losing the leverage the government exercises on the press."

HK mobile phone licences awarded

By Louise Luce in Hong Kong

China and Britain agreed at the weekend on the award of six new mobile phone licences for Hong Kong, ending a year-long standoff and unleashing about HK\$68bn (£776m) in planned medium-term investment by the winning consortia.

The breakthrough signals hope for the huge backlog of issues still to be resolved by the Sino-British Joint Liaison Group (JLG), which is charged with negotiating the details of the transfer of Hong Kong's sovereignty on July 1 next year. These include nationality and extension of the port.

Talks on the mobile phone licences, seen as a test case of Hong Kong's business autonomy, were prolonged by Beijing's wish to issue fewer licences. This was inspired by industry lobbying, which circumvented the colonial government and targeted China.

Among the winners are Peoples Telephone, a consortium formed just weeks before the deadline for bids closed, which is led by China Mandarin; New World PCS, whose parent already operates a fixed line service in Hong Kong Pacific Link, an existing mobile operator; and P-Plus, which includes Taiwanese investors.

As expected, Hongkong Telecom, the territory's dominant

operator and a subsidiary of Cable and Wireless of the UK, failed to clinch a licence. Analysts attributed its failure to an uncompetitive bid – it is understood to have pitched its per-minute fees at roughly double those of fellow bidders – although some say its rejection was politically motivated.

Hongkong Telecom, the market leader in mobile services, said it believed its submission was highly competitive.

Mr Donald Tsang, acting governor, said: "Issue of the licences will allow the successful bidders to make investments of more than HK\$68bn in aggregate over the next few years and will lead to the creation of more than 2,500 new jobs in the telecommunications industry." But analysts and spurned industrial groups believe the consumer bonanza may not translate into a business bonanza for all six winners. An aggressive price war, led by Hutchinson, broke out in the territory earlier this year, eliminating profits on handsets and reducing charges.

The other four winners are Mandarin; New World PCS, whose parent already operates a fixed line service in Hong Kong Pacific Link, an existing mobile operator; and P-Plus, which includes Taiwanese investors.

Japan spurs growth in drug sales

By Daniel Green in London

Growth in sales of prescription drugs gathered pace in April thanks to a recovery in demand in Japan, the world's second biggest market.

The increase was not enough, however, to lift growth much above half the level a year ago.

Drugs sales for the first four months of 1996 in the world's 10 biggest markets were worth \$47.1bn, according to IMS, the specialist market research organisation.

This was an increase of 6 per cent compared with a rise of 5 per cent for the first three months of the year and 11 per cent for the same period of 1995.

Sales in Japan for the first four months of 1996 were unchanged in constant currency terms at \$7.5bn. Sales had fallen by 4 per cent

in the first quarter as wholesalers destocked in anticipation of mandatory government price cuts in the spring.

The US remained easily the world's biggest single market with sales for the first four months of \$19.2bn, an increase of 6 per cent on the same period of 1995.

Europe grew faster, with

Indonesia restless under Suharto's tight rein

Greg Earl on the discontent behind Saturday's rioting in Jakarta

Yesterday was an Islamic holiday in Moslem Indonesia and most newspapers did not publish. It was a silence welcomed by the military after Saturday's rioting, the worst for more than two decades.

There was one exception. Harian Terbit, a downmarket daily, did come out. The irony will not have been lost on the country's rulers. For Harian Terbit is part of a newspaper stable owned by Mr Harmono, the minister for information, who as chairman of the government's campaign of pressure against the opposition Indonesian Democracy Party (PDI).

This is the sort of contradiction that abounds in Indonesia, where a liberalised economy functions alongside a stagnant

political system headed by President Suharto, one of the world's longest-serving leaders.

Whether this contradiction between a liberalising economy and an illiberal political leadership persists is now in question and the fallout could have a significant impact on foreign investment.

Domestic Indonesian banks suffered worst in the rioting that spread from the opposition PDI office in central Jakarta. Police raided the premises after Ms Megawati, the party's deposed leader, refused to give up office following her defeat by a government-supported candidate last month.

The violence spread to a secondary commercial district causing damage valued at tens of millions of dollars.

The property damage was

mostly random but it highlighted a perception of economic disparity that is the Achilles heel of Mr Suharto's effort to stay at the top of an inelastic political system.

World Bank figures show that Indonesians continue to experience strong growth in per capita income compared with other developing countries, but there is a rising economic inequality.

The government's determination to suppress Ms Megawati's political ambitions and quell her growing support came to a head earlier this month when it sponsored a rival to her leadership. After weeks of speculation about a takeover of the PDI office, police broke in on Saturday morning to hand it over to the new government-backed PDI chairman.

The rioting started as some police lost control of the crowds trying to join a pro-Megawati protest near the office. But while thousands watched, only hundreds were actively participating. That appeared to



Suharto: went abroad for health check

reflect both a reluctance to confront the government's military power and a sign that the emerging middle class is not yet ready to follow its Thai and Korean counterparts in demanding change.

Doubts afflict UN conscience on environment

By Leyla Boultoun, Environment Correspondent

Affected organisms in the environment.

Under Ms Dowdeswell, who has sought to work more closely with industry, UNEP also co-sponsored a pledge initiated by the insurance industry to pay more attention to the environment.

A tireless globe-trotter, Ms Dowdeswell recently launched in London a "global public education programme" with Consumers International, an association of consumer groups. But it remained unclear how that effort, which has yet to find funding, would complement actions already undertaken by national governments.

UNEP is in throes of reorganisation and is debating its priorities

"We feel they should limit themselves to the most important issues and activities where they have a specific forte," says Mr Michael De Leeuw, a diplomat at the Dutch embassy in Nairobi with responsibility for UNEP.

As donors' dissatisfaction with UNEP has mounted, it has become an easy target for budget cuts. This year, the US halved its UNEP contribution from \$160m to \$80m.

The organisation's problems are compounded by difficulties related to the UN system. In a gesture of solidarity with the third world, UNEP is based in Nairobi as the only UN organisation in Africa.

This is despite the fact that it has no specific business in Africa, in contrast with the United Nations High Commissioner for Refugees, based in Geneva.

There is confusion over various UN bodies' overlapping responsibilities for the environment.

Yet it is the UN system which is likely to prove the single biggest obstacle to finding the best candidate to rescue UNEP from its troubles as top UN jobs are decided not by competition but by international horse-trading.

INTERNATIONAL PRESS REVIEW

In the red corner, Shilowa

SOUTH AFRICA

By Roger Matthews

South Africa has not had a really good political press for more than two years. Since the general election in April 1994 there has been pretty thin.

Mrs Winnie Mandela has been fired from the cabinet, the Inkatha Freedom Party and the African National Congress have periodically snarled at each other and the National party has quit the government of national unity.

Enter Mr Sam Shilowa. Opinion is divided whether Mr Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), is the greatest black hope of political writers. Certainly he has enormous potential. In a week when it was not easy to grab headlines, Mr Shilowa has performed creditably.

At the start of the week he had to contend with reports that President Nelson Mandela was paying court to the widow of Samora Machel, the late president of Mozambique. The story was based on sightings of the pair holding hands and cuddling. But as the president likes to hold the hands of and occasionally cuddle more than a few of the ladies he meets, the speculation was difficult to sustain.

Miss Penny Heyns, whom the president will undoubtedly cuddle fairly soon, posed a much more serious challenge to Mr Shilowa. She won South Africa's first Olympic gold medal since 1952 and then added a second.

But it was not all jolly, nation-building harmony around the Olympic pool. Sitting, watching Miss Heyns' triumph were 17 of South Africa's biggest political fish, each one a minister or deputy minister. That was 40 per cent of the entire cabinet, gulped the *Financial Mail*, which feels almost as strongly about gravy trains as it does about Mr Shilowa. Ministerial explanations for their presence, at taxpayers' expense and in one case accompanied by wife and children, were not all wholly convincing but the media's indignation had by the weekend largely evaporated.

Mr Shilowa, however, was still swimming strongly. The *Sunday Independent* yesterday



The Star's cartoonist sees Trevor Manuel as receiving little help from Sam Shilowa in lifting the economy's performance

Moment of truth for N-test pact

By Frances Williams in Geneva

a fixed timetable for total nuclear disarmament.

However, New Delhi could go further and block the required consensus for the treaty to be adopted by the 15-member United Nations disarmament conference. This is because it strongly objects to the proposed requirement that India's ratification along with that of 43 other states, be a precondition for the treaty to enter into force. It says the requirement infringes its sovereign right to decide whether to sign the pact.

The draft accord stipulates ratification by all countries with nuclear power installations that are also members of the disarmament conference. This includes the five official nuclear nations – the US, Russia, Britain, France and China – and the three "threshold" states of India, Pakistan and Israel. The latter, none of which has signed the Nuclear

pact to have any meaning, even at the risk of a long wait for it to enter into force.

The disarmament conference, which began negotiations on the pact in early 1994, is due to forward the treaty to the UN General Assembly ready for signing in September. If this deadline is not met, diplomats fear the opportunity to agree a comprehensive ban will be lost for many years.

Officials accompanying Mr Rambauer, US secretary of state, at a visit to Australia said at the weekend that they saw no possibility of changing the membership terms.

The US and many other countries would have preferred a more flexible formula that would allow the treaty to become effective without India and Britain. Russia and China, backed by Pakistan, have insisted that all the threshold states must be included for the

US to enter into force.

Mr Rambauer's draft would call for a special conference to decide on action if the treaty was still not operational after four years. The conference could not waive the basic membership conditions but one option, according to diplomats, might be provisional application of the treaty, especially if all five nuclear powers were on board.

Editorial comment, Page 15

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NEWS: THE AMERICAS

US learns to live with home-grown terror

A succession of bombings is forcing Americans to redefine attitudes. Patti Waldmeir reports

Americans have long held one truth to be self-evident: that terrorism is un-American. They have pitted the citizens of Jerusalem and Beirut and Belfast and Sarajevo, pitted them against their daily fear of violent annihilation. But that just made them prouder to live in the safest and strongest nation on earth.

The spectacular terrorist bombings at the World Trade Centre in 1983 and Oklahoma City in 1995 powerfully shook that national complacency. When it became clear that the Oklahoma bomb was planted by fellow Americans, it was a further shock. Terrorism could no longer be treated as an alien threat; it had to be seen as a home-grown menace.

To judge from the comments of hundreds of ordinary Americans and politicians - aired on the national news networks - the national psyche has taken another serious hit over the past few days.

In recent weeks, the television public has seen in rapid succession, pitiful images of domestic debris from the recent attack on US military personnel in Saudi Arabia.

In the wake of the Atlanta bomb, senior ministers from the world's leading economic nations will meet in Paris tomorrow to step up the fight against terrorism, Andrew Jack reports from Paris.

Foreign and interior ministers from the Group of Seven leading industrial countries and from Russia will debate practical and legal measures to crack down on terrorism.

clothing, a styrofoam cup and a Filofax bobbing in the seas where TWA flight 800 crashed, and at the weekend, bloodied spectators at Centennial Olympic Park in Atlanta. By yesterday, CNN had put the most dramatic images together in a kind of collage of terror, complete with mauldin music and sombre commentary.

"It seems like every weekend, the flags are at half-mast," one ABC commentator lamented, while other networks endlessly explored the phenomenon of "another day, another bomb". One of the TV talking heads noted that President Bill Clinton seems to

Their meeting follows two days of talks earlier this month in Paris by experts from the countries, and was triggered by a resolution at the G7 summit in Lyons at the end of June.

Among the propositions to be discussed is a new United Nations declaration stressing that terrorist acts are against UN principles. The aim would be to tighten asylum-seeking laws to prevent perpetrators

protecting themselves from prosecution.

The ministers are also calling for the recognition of a network of "centres of excellence" designed to identify specialists in each country to help in the fight against terrorism, as well as a resolution to strengthen member nations' resolve to fight terrorism.

President Bill Clinton of the US pushed to ensure that

terrorism was an important item at the G7 meeting in the wake of the attack on US troops in Saudi Arabia.

Other countries under the shadow of terrorism include Russia, which has suffered from a series of attacks on its Moscow metro system and France, which is still investigating links between Islamic fundamentalists and a series of bombings in Paris and other cities last autumn.

ing a child psychologist from California to ascertain the best method of breaking the news that, despite a long history as one of the most violent nations on earth, one bomb had suddenly made America an unsafe place.

But the last word went to the Atlanta mayor, Bill Campbell, who said, echoing the words of the Negro spiritual, "we shall overcome". That seemed to be the prevailing mood in Atlanta at the weekend, where spectators patronised Olympic sporting events in large numbers, and where many voiced defiance. It was the overwhelming conclusion of almost every newspaper columnist and talk show host: America must be brave.

As Washington Post columnist Tony Kornheiser wrote: "We're in the same boat with the rest of the world. We're as vulnerable as them. And like them, we have to learn to live with it. And get back on the boat. And go back to the mar-

ket."

Or as President Clinton said for the nation: "We cannot let terror win. That is not the American way."

Venezuela starts to make inroads into public debt

By Raymond Coffin in Caracas

Venezuela is making headway in efforts to reduce its \$32.6bn public debt, following the implementation of an economic stabilisation plan backed by the International Monetary Fund.

The government has resumed payments on foreign debt arrears, is settling liabilities between state entities, and is hammering out details of a plan to restructure its debt profile and ease repayments, which peak next year due to imminent debt maturities.

"What we are trying to do is reduce, restructure and order our debt so as to redirect funds towards productive investments and stimulate economic growth," said Mr Nestor Suarez, director of public

finance. The country's debt burden had acted as a recessionary brake for the past 15 years, he added. The finance ministry forecasts negative growth of 1 per cent for 1996.

Though the country's debt is manageable in relation to its exports (an estimated \$1.5bn per month) or international monetary reserves (currently \$10.1bn), it still represents a significant burden.

The total annual debt service, expected to reach \$5.9bn this year, represents about half of budgeted ordinary income, according to the finance ministry. The government hopes to reduce this to between 35 and 38 per cent by 1998. The country's external debt-to-GDP ratio is currently 55 per cent.

Argentina's new economy chief pledges continuity

By David Pilling in Buenos Aires

Mr Roque Fernández, who today replaces Mr Domingo Cavallo as Argentina's economy minister, has spent the weekend building a new team and reassuring markets of economic continuity.

Mr Fernández, named economy minister after President Carlos Menem's surprise sacking of Mr Cavallo on Friday, is expected to draw much of his ministerial staff from the central bank, where he has been president since 1991.

Most of the heavyweights of Mr Cavallo's so-called "super-ministry" have resigned and few are expected to be enticed back in spite of entreaties from the former minister to stay on. Among the most significant

losses are Mr Juan Lisach, deputy economy minister, as well as other close allies of Mr Cavallo such as Mr Horacio Liendo, Mr Ricardo Güierrez and Mr Carlos Sánchez.

Mr Fernández emphasised that policies would stay the same in spite of personality changes. "People can rest assured that the financial system will remain as it is, banks will open normally on Monday and the economic plan will continue," he said.

The Merval index of blue-chip stock dropped 4 per cent on Friday after Mr Cavallo's sacking, and some analysts say markets could fall by as much as 10 per cent when trading resumes today.

There were also reports at the weekend of Argentines buying dollars for above the official exchange rate of one-to-one, even though peso/dollar parity is guaranteed by the government at the cornerstone of economic policy.

There were no signs, however, of general panic. According to a poll published in Clarín newspaper, 70 per cent of Argentines believe the president was right to sack Mr Cavallo and 80 per cent think economic policy will not be affected.

Some of Mr Cavallo's collaborators may have been persuaded to stay on, including Mr Carlos Bastos, the powerful minister of energy and transport, and Mr Felipe Soia, agriculture minister.

Mr Fernández's position was strengthened by the endorsement of leading congressmen. Clash of personalities, Page 14

ATLANTA OLYMPICS

Roba rules the road

Keith Wheatley on the first African woman to win a marathon at the Olympic Games



Fatuma Roba picked up speed on victory lap

Fatuma Roba of Ethiopia opened a new chapter for African female runners, with an extraordinary two-minute winning margin in the women's marathon. Roba, a 26-year-old police officer, was so fresh after crossing the finish line that her pace in a victory lap was quicker than that of second-place Valentina Yegorova as the Russian closed on the tape.

"I knew that I had no chance against the Ethiopians," Yegorova acknowledged later. Japanese runner Yuko Arimori took bronze, 34 seconds behind the Russian. This pair had been gold and silver medalists, respectively, in Barcelona but were eclipsed in Atlanta by the unknown from Addis Ababa.

Robe's time of 2:26.05 was several minutes faster than the Olympic record set in the inaugural women's marathon at Los Angeles 12 years ago.

However, on the hilly Atlanta circuit it was a remarkable performance, the more so in the light of Roba's scant record. Her only previous marathon performance was at the IAAF world championships in 1994 at Gothenburg. Roba, a skinny figure at 165cm and weighing just 48kg, finished 19th. In Atlanta she was on no one's list of possible winners.

"Before the race I was afraid of the others with better times but soon realised that they were not running very fast today," said Roba. "I picked up speed and they could not follow. At that point I was sure I would win because I had practised very hard."

Nothing in the first hour of the race indicated the surprises ahead. Fears of runners collapsing in the

predicted heat and humidity, causing the 7am start, vanished in an overcast dawn with temperatures in the low 70s.

Out of the stadium Uta Pippig of Germany made an early break and soon went into a clear lead. Coming off three straight marathon wins, the most recent being Boston in April, the German was confident she could stamp her authority on the race. At 10km she had a 30-second cushion on a chasing pack that included all three eventual medalists.

But an hour and five minutes into the race the chasing group enveloped Pippig. Arimori led briefly but at 20km Roba had a six-second lead and thereafter she little need to look back, stretching the margin continuously and without apparent effort.

Atlanta has a sizeable Ethiopian population and many of them lined the pavements waving national flags and cheering Roba on. She had an energetic wave and a massive toothy grin for all of them.

As she entered the packed stadium shortly after Roba, Roba was in a state of euphoria. Crossing the finish she kissed the track, and without pausing for breath set off on a victory lap wrapped in the national tricolour.

For four decades, back to Abebe Bikila in Rome and Tokyo and Mamo Wolde in Mexico City, the Olympic triumphs of male marathon runners had become part of Ethiopian national culture. Roba has surely begun a new era for her sisters.

• Britain's Liz McColgan came in 16th in 2:34.30.

Two Germanys better than one

By Judy Dempsey in Bonn

Germany's Olympic commentators cannot explain it. The competitors can only say they really did their best. And the fans are terribly disappointed with the results so far: halfway through, the German team had won only three gold medals, nine silver and 15 bronze.

What a change from the 1992 Barcelona Olympics, when Germany came home with 82 medals, 33 of them gold. And they were third in the overall placings. This time, despite a flurry of medals yesterday, they are losing out to the most unexpected teams, whether to Slovakia in canoeing or to Egypt in handball.

The great rower Thomas Lange, who won gold in Seoul and Barcelona, had to settle for bronze at the

weekend behind a Canadian and a Swiss, while the world-class fencers tipped to win gold in the past, failed to make an impact. This suggests that lack of training or experience are not responsible for Germany's poor showing.

Perhaps one reason is that since Germany was reunified, the intense competition between the two Germanys no longer serves as an ideological incentive for each to outdo the other in the medals league. That intensity was still there when in Barcelona but has since worn away as sport in Germany becomes "normalised" and much greater attention is paid to identifying those on steroids, often an ingredient in the success of the east German athletes.

By contrast, the independent countries which emerged after the

collapse of the former Soviet Union - such as Ukraine and Kazakhstan - have done surprisingly well, possibly because sport is a way of establishing international recognition.

That is little solace to the German team, where there are signs of reinvigoration, surfacing. Franziska von Almsick, the pride of Germany, who won silver instead of gold last week, lashed out at the German swimming association, accusing the leadership of being unqualified and doing "nothing for us".

But things could be worse. The British team began yesterday sandwiched between Kazakhstan and above North Korea on the medals table. And Germany did win the 1996 European football championship.

Agreement on gold sales still eludes G7

By Robert Chote, Economics Editor, in Washington

Senior officials from the Group of Seven leading industrial countries failed again last week to agree on the sale and reinvestment of part of the International Monetary Fund's gold reserves to finance debt relief for poor countries.

The meeting of G7 deputies in Washington failed to dislodge Germany from its opposition to gold sales. This undermines the confidence expressed by the US and UK after last month's summit of G7 leaders in Lyons that gold sales would



Michel Camdessus: Bonn opposes his gold sale proposals

finance minister, trumped their lobbying efforts. The Swiss, whose constituency has 2.8 per cent of the votes on the board, also want to avoid stoking up support at home for the idea of selling domestic gold to finance trans-Alpine tunnels.

One member of the IMF board said Japan (5.5 per cent) was now likely to support gold sales, but the Italians (4 per cent) had come under strong pressure from Germany and therefore remained "ambivalent". To block the proposal the Germans would therefore probably need the support of either the Nordic constituency (3.5 per cent) or the Austrian/Belgian constituency (5.1 per cent). There are differences of opinion within both these constituencies, although eventually each will have to vote as a bloc.

If the issue is put to a vote, this is unlikely to take place until September.

The continued deadlock leaves the poor country debt initiative in an increasingly precarious state. The Paris Club of creditor governments made no progress in agreeing its own contribution to the initiative when officials met in Paris recently.

The Paris Club rejected the idea of holding a special meeting to discuss the issue, but officials believe it may bring forward the date of its next formal meeting from September 23.

ATLANTA DIGEST

Russians lose medals for doping

Two Russian bronze medallists have been stripped of their medals by the IOC after testing positive for bromantan, a stimulant. Andrei Kornev, who won bronze in the 200m breaststroke swimming final, and Zatar Goulev, third in the Greco-Roman wrestling 48kg category, were also disqualified from the games. Lithuanian sprint cyclist Rita Rezaieta was also found to have taken the substance and disqualified. She had come 12th in her event.

A spokeswoman for the IOC said bromantan was a new drug, which had not been found in previous games. It acted as a performance-enhancer, but could also be used as a masking agent.

Kornev's medal may pass to British breaststroker Nick Gillingham, who finished fourth, depending on the decision of Fina, the swimming governing body.

Peter Aspin

Simpson survives ups and downs

World slalom canoe champion Lynn Simpson, a 25-year-old British MBA student and economics graduate, came close both to drowning and to winning a gold medal in the women's section of the slalom competition. Simpson began her first run by capsizing shortly before the second gate on the 400m course, and had a nightmare further down when her kayak was sucked into the maelstrom between gates seven and eight and flipped over.

"I thought I was going to drown there," she said.

But at her second attempt, Simpson confidently attacked the course. Her 1:01.71-second time was 5.3 ahead of the leader, Stepanka Hlilovova of the Czech Republic, but the judges penalised her 50 points for failing to clear a gate fully. Her final placing was 23rd.

Keith Whealey

Rowing

Women's quadruple sculls final: 1 Germany 6 minutes 27.44 seconds; 2 Ukraine 6:30.38; 3 Canada 6:30.38.

Men's coxed lightweight four final: 1 Denmark 6:05.58; 2 Canada 6:10.13; 3 US 6:12.29.

Women's lightweight double sculls final: 1 Romania 7:12.78; 2 US 7:14.65; 3 Australia 7:16.55.

Men's lightweight double sculls final: 1 Switzerland 6:23.47; 2 Netherlands 6:26.48; 3 Australia 6:26.69.

Lynne

Athletics

Women's marathon: 1 F. Roba (Ethiopia) 2 hours 36 minutes 5 seconds; 2 V. Yegorova (Russia) 2:28.05; 3 Y. Arimori (Japan) 2:28.38; 4 K. Doere-Heining (Germany) 2:28.45; 5 R. Rios (Spain) 2:30.50; 6 L. Simon (Romania) 2:31.04; 7 M. Machado (Portugal) 2:31.11; 8 S. Krolik (Germany) 2:31.16; 9 X. Ren (China) 2:31.21; 10 A.M. Lanck (US) 2:31.30.

Cycling

Men's points race final: 1 S. Martinello (Italy); 2 B. Walton (Canada); 3 S. O'Grady (Australia).

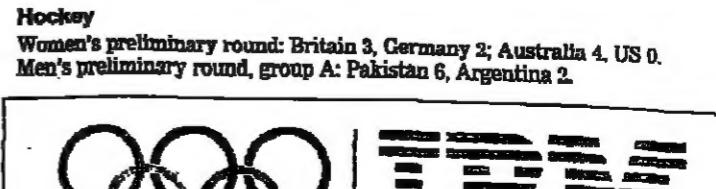
Men's sprint final: 1. Fidler (Germany) beat M. Nothstein (US) 2:0. Bronze medal: C. Barnett (Canada) beat G. Neivandt (Australia) 2:0.

Women's individual pursuit final: 1 A. Bellutti (Italy) 3:23.55; 2 M. Clignet (France) 3:23.57.

Hockey

Women's preliminary round: Britain 3, Germany 2; Australia 4, US 0.

Men's preliminary round, group A: Pakistan 6, Argentina 2.



مكتبة الأصل

Rail disruption set to widen

End to post dispute looks likely today

By Robert Taylor,
Employment Editor

A settlement of Britain's postal dispute looks likely today but the country faces the prospect of growing conflict on the railways next month.

In addition to continuing deadlock in the London Underground drivers' dispute - which is again expected to bring an almost total shutdown today - 24-hour stoppages may also be coming from train conductors in a number of key operating companies.

The Royal Mail was confident last night that the postal workers' dispute over team-working would be resolved when the executive committee of the Communication Workers Union is asked to accept a package negotiated by its leaders. This is designed to meet their anxieties about work reorganisation.

Last week the union suspended its rolling programme of disruption saying "considerable progress" had been made towards a deal. However, strike ballot results are expected on Wednesday from 6,000 train conductors employed by seven of the country's private rail operating companies.

The RMT transport union has called on them to support a planned series of 24-hour stoppages in pursuit of claims for improved productivity pay, and opposition to job restructuring and a planned cut in their 30-minute "physical need" breaks.

Companies pay £265m in tax law compliance

By Alan Kelly,
Accountancy Correspondent

UK-listed companies spend an average of £125,000 a year on complying with tax laws - a total bill of about £265m (£413.4m) - according to a survey published today by accountants KPMG.

The results suggest a 33 per cent rise in the cost of compliance over the past five years against an increase in the retail prices index of 14.5 per cent. They will add to growing concern about the complexity of tax legislation and increase the pressure for fundamental reform of the tax framework.

Mr David Frost, president of the Chartered Institute of Taxation, said: "We are very keen for the tax system to be simplified - but it's not just the wording - it's the legislation itself. They start off with a simple concept but then people within government or the [Inland] Revenue are anxious there should be no avoidance opportunities so you start getting complications."

The government, with support from the Inland Revenue (the UK tax authority), is rewriting some parts of tax law. Lobby groups, such as the tax law review committee, are pushing for more fundamental reform. Attempts to simplify tax law have been a significant feature of recent Budgets.

Mr Ian Barlow, head of tax at KPMG, said that while the tax authorities had become more efficient and helpful they had also become "more assertive and suspicious" of business and this had added to costs.

The 300 companies that replied to the survey said that tax laws were too complex, uncertain, unco-ordinated, badly drafted, varied and "obsessed with preventing tax avoidance".

The favoured solutions were to remove tax "blackspots" - where the law is so complex there is no certain interpretation; to shorten and rewrite the law in plain English; to tax profits on an accounts basis; and to abolish some taxes. One example would be to combine National Insurance contributions with income tax.

A less popular solution was "purposive legislation", in which laws would be written in general form setting out their intentions, rather than in great detail. There is some political interest in a general purposive anti-avoidance law.

KPMG's figures show that 8.5 per cent of companies pay more than £100,000 to comply with tax rules; a further 30.3 per cent pay more than £50,000. Only 14.7 per cent pay less than £25,000.

Union officials argue the conductors have been required to take on increased responsibilities in recent years from station staff. At the same time, some private companies want to transfer safety and operational duties from conductors to drivers.

The companies concerned are North London Railways, North West Regional Railway, South Wales and West, Thames Trains, Cross-Country Trains, Great Western and Inter-City east coast.

However, agreements have been reached on the issues by the union for conductors employed with Regional Railways North East, Network South Central and South East Trains. As a result, the relevant staff at those companies are not being balloted as had originally been planned.

Further ballot results are expected later next month from conductors employed by Central Trains and ScotRail.

More negotiations between the rail unions - RMT and Aslef - are expected with London Transport at the offices of Acas, the conciliation service, before the next planned stoppage on the Underground, which is due to take place a week on Wednesday.

The dispute centres on a difference of opinion over whether the drivers have achieved productivity improvements to ensure a cut in the basic working week from 38.5 hours to 37.5 hours from next month, something that was agreed last year.

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The government, with support from the Inland Revenue (the UK tax authority), is rewriting some parts of tax law. Lobby groups, such as the tax law review committee, are pushing for more fundamental reform. Attempts to simplify tax law have been a significant feature of recent Budgets.

Mr Ian Barlow, head of tax at KPMG, said that while the tax authorities had become more efficient and helpful they had also become "more assertive and suspicious" of business and this had added to costs.

The 300 companies that replied to the survey said that tax laws were too complex, uncertain, unco-ordinated, badly drafted, varied and "obsessed with preventing tax avoidance".

The favoured solutions were to remove tax "blackspots" - where the law is so complex there is no certain interpretation; to shorten and rewrite the law in plain English; to tax profits on an accounts basis; and to abolish some taxes. One example would be to combine National Insurance contributions with income tax.

A less popular solution was "purposive legislation", in which laws would be written in general form setting out their intentions, rather than in great detail. There is some political interest in a general purposive anti-avoidance law.

KPMG's figures show that 8.5 per cent of companies pay more than £100,000 to comply with tax rules; a further 30.3 per cent pay more than £50,000. Only 14.7 per cent pay less than £25,000.

N Ireland's second city tense ahead of talks

Apprentice Boys prepare to march as negotiations begin in earnest

Negotiations are set to begin in earnest today in Northern Ireland's multi-party talks. But as the participants convene at Stormont, much of their attention will be on developments in Londonderry, the province's second city.

In the wake of the ugly scenes at Drumcree, where police forced an Orange Order march through a Catholic housing estate, local churchmen and politicians are trying to head off another confrontation - this time between nationalists and protestant Apprentice Boys who plan to march along the old city walls on August 10, to commemorate the successful defence against the forces of the Catholic King James.

Sir Patrick Mayhew, the Northern Ireland secretary in the UK government, met with the Apprentice Boys last week.

On Friday, Mr John Hume, the local MP for the moderate nationalist SDLP, convened a meeting of their leaders and the nationalist Bogside residents association, which is threatening to disrupt the march.

More recently, through the efforts of moderates such as Mr Hume, it has provided an all-too-rare example of power sharing, with the minority nationalists holding mayoral offices. "We could have all the power but we don't," says Mr Hume.

In the wake of this latest unrest, even those advances seem at risk. The SDLP has tabled a vote of no confidence in the unionist mayor, Mr Richard Dallas, who took part in an Orangeman's protest in support of the Drumcree Orangemen.

Mr Paddy "Bogside" Doherty, leader of the Inner City Trust which is responsible for Derry's regeneration, says:

"Nationalists are desperate. But there's also a quiet determination. The situation has been clarified. We're now confronting the British establish-



Paddy Doherty, with Derry in the background, says there is a determination among nationalists

ment, not the unionists."

Sir Patrick caused further consternation with his recent comments that he could not guarantee that the pollies would not be overwhelmed on another occasion. Mr Doherty says this was "the best case the government could have made for the non-decommissioning of arms".

Even moderate nationalists believe the arms issue was a delaying tactic by the government.

"Look, when they knocked down protestant houses on the city side, they found lots of loyalist guns which everyone had forgotten about. Someone said recently there was a four-letter solution to decommissioning - rust."

said Mr Mickey McGuinness, a local historian.

But a common concern among moderates is that the current anger could play into Sinn Fein's hands, eclipsing the SDLP. "It happened before. Hume, you remember, only emerged after challenging the old nationalist party to deliver which they failed to do," says Mr Doherty. "John Major has to get Gerry Adams to Downing Street. That's the only thing that is going to save us from another 20 years of violence, and save John Hume."

A school principal concurs.

"Nationalists won't be content until unionists are stood up to. If that means the spilling of blood, then so be it."

If unionists try to hijack today's talks by insisting on decommissioning, the view in Derry is that this will result in a hardening of opinion.

Mr Glen Barr, trade unionist and former leader of the 1974 protestant Ulster Workers strike which brought down the power-sharing administration, believes the Troubles effectively ended in Derry more than 10 years ago.

But he says: "The sad thing is that both communities that live in this city have a fervent love for the city. But if we can't solve our problems during a period of peace, then conflict seems inevitable."

John Murray Brown

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THIS WEEK

Mad cows and the need to know

DATELINE

Brussels:

a European

Commission memo calling for a campaign of disinformation over the BSE affair must trouble Jacques

Santier, writes

Lionel Barber

Jacques Santier is staring down the barrel of a smoking gun. So far he has refused to blink. But sooner or later the president of the European Commission will have to respond more fully to charges that the Brussels bureaucracy played down the dangers of mad cow disease (BSE) through a campaign of disinformation.

The allegations stem from an internal Commission memorandum written in October 1990 which summarised a meeting of the EU's standing veterinary committee. That is the same group of national experts which, it will be recalled, voted for the world-wide ban on British beef exports last March and which must approve its eventual lifting.

The six-year-old memorandum claims that the committee concluded that "it is necessary to minimise the BSE affair by using disinformation". The memorandum also alleges that the Commission's representative at the meeting called for BSE to be removed from future agendas "in order not to provoke

unfavourable reactions by the market". Finally, a call was said to have been made to Britain to stop publishing the results of its research into the risks of BSE spreading to humans.

Since the document surfaced in the French newspaper *Journal du Dimanche* four weeks ago, it has been exposed as Gérard Castille, an official in the Commission's consumer affairs directorate who has since retired. Tracked down in France, Castille waffled on the authenticity of the memorandum and said he presumed that EU veterinarians "were acting under instructions" when they agreed to brush up concern about BSE - a claim since rejected by Danish and Italian representatives at the meeting.

The immediate Commission response was to dismiss the document as the musings of a low-level functionary with too much time on his hands.

Santier told Euro-MPs in Strasbourg two weeks ago that the memo was a *billet d'humeur* - a personal opinion - which had not been circulated to anyone of any

importance in the Commission. As for the charges of a disinformation campaign, he noted that the Commission had held a seminar on BSE on November 11 1990 and published the results.

It was an effective performance,

but not enough to dissuade MPs from launching their own inquiry into the Commission's management of the mad-cow crisis.

Meanwhile, the Co-ordination Rurale, one of France's smaller rural farming associations hit by the collapse of the beef market, has filed a lawsuit against the Commission on the strength of the published memo.

The reaction in the Brussels bureaucracy is frustration bordering on contempt. Officials privately accuse MPs of succumbing to a conspiracy theory and pandering to consumer fears when the priority must be to restore confidence in

the beef industry. With justification, they complain that the Commission risks being turned into a scapegoat for BSE when the real villain is the British government, which persistently played down the scale of the epidemic and failed to put in place an effective policy of eradication.

Here we come to one of the more unexplained corners of the BSE crisis: the connection between the Castille memorandum and the British government's handling of mad cow disease.

It does not require a leap of imagination to assume that Castille's call for calm on BSE reflected the consensus in Brussels at the time. True, his choice of the word "disinformation" conjures up KGB-style propaganda campaigns to plant articles in newspapers or to put stooges on television. But his real goal appears elsewhere in the

memorandum: "There should be no more talk of BSE".

A veteran EU agricultural official agrees that the official policy was to take all steps possible to encourage eradication of the BSE epidemic on farms while avoiding any suggestion to the public that there could be a link between mad cow disease and Creutzfeldt-Jakob disease (CJD) in humans. The official line on BSE and CJD was crystal clear: case not proven.

That line held for more than five years, through unilateral bans imposed by German Länder on British beef in the past 12 months. It showed it was wobbling. But the

coup de grace came on March 21 this year when the UK government reversed the first official evidence of likely link between BSE and CJD, albeit concluding that there was still no definitive scientific proof.

The rest, as they say, is history - more unilateral bans on British beef exports, followed by a single worldwide ban by the 14 EU member states. Only last week, the Commission called for tougher controls on the production of lamb following its own "experimental evidence" that BSE could be passed to sheep.

As for the much-vaunted British policy on non-cooperation aimed at securing a lifting of the EU ban, it looks more and more futile. New scientific evidence threatens to delay the promised lifting of the ban on gelatin and tallow derived from UK beef. The Germans are refusing to accept imports of British bull semen, contrary to the understanding reached at last month's European summit in Florence.

In this atmosphere, prime minister John Major's expressed hope of securing removal of the EU ban by November looks increasingly unrealistic. As Jacques Santier has discovered in the BSE crisis, the consumer - not the producer - is king.

PEOPLE

Team player Leschly likes to prove a point

A competitive streak makes the head of SmithKline Beecham a tough opponent, writes Daniel Green

It does not pay to get into a debate with Jan Leschly, chief executive of drug company SmithKline Beecham. If may be 20 years since he was the world's No 10 tennis player, but he badly wants to win every point whatever the game. He likes smashing his opponents' drift shots.

"The best argument wins and there is no mercy," says Leschly. "But some people don't understand that you play the game and afterwards you go for a beer and you're friends."

The uncompromising style of the world's only half-Danish, half-American drugs company chief executive seems to make business sense. Last week SmithKline revealed first half profits at the top of the range of analysts' forecasts. The company's share price, which had doubled since Leschly became chief executive in April 1994, rose yet further. His style also helps the company's 50,000 employees feel good, says Leschly, and he can prove it. "We conducted polls of 15,000 of our staff in 1991, 1993, 1994 and 1995. Eighty per cent of our people enjoy working here. If you don't keep score, you're just practising", he adds with only a touch of a smile.

Leschly's secret weapon is his ability to switch from the aggressiveness of corporate America to soft-spoken Scandinavia. Born in Denmark, he trained as a pharmacist in Copenhagen and joined the Danish flagship pharmaceuticals company Novo Nordisk. In 1979, after seven years at Novo, he moved to US drugs company Squibb as vice-president of commercial development. Within a decade he was heir apparent for the top job.

He never got the chance to take it on. In 1989 Squibb was the junior partner in a merger with US rival

Bristol-Myers, and Leschly left to spend a year on a philosophy and religion course at Princeton University.

There is bitterness in his recollection of life at Squibb. He says he resented the autocratic leadership style. He describes the power of the chief executive's position at Squibb as "US decision-making" and complains that "it was not a team".

How can a tennis player want to be a team player? "Before tennis, I played right-wing for the Danish champion handball team," he says, insisting that running SmithKline is really a team effort.

After his year out, Leschly took on what was, in retrospect, the ideal job. The other big drugs industry merger of 1989 was between Beecham of the UK and SmithKline Beckman of the US. The new company needed a leader without roots in either parent; someone equally comfortable in Europe and the US.

Leschly now has homes in Denmark, London and Philadelphia, the base for SmithKline's US business. In practice he and his family live in the US, although he wants to play this down because SmithKline remains legally a UK company. Two-thirds of SmithKline's shareholders are in the UK.

Leschly argues that the US is where the business is - it accounts for 40 per cent of global prescription drugs sales - so that is where the best managers must be. The fact that the heads of other European drugs companies, including Glaxo Wellcome in the UK and Roche in Switzerland, live in Europe is dismissed as "their choice".

Leschly likes the power and influence that come with running SmithKline. The company only just

makes it into the world Top 10, thanks largely to a \$7bn series of mergers and disposals in 1994 and 1995. But the ever growing cost of healthcare means that dealing with politicians is part of the job.

He is proud of meeting Bill Clinton and relates how the American president asked him over dinner: "So what should we do with the US healthcare system?" Leschly is convinced that Clinton will try to reintroduce some kind of healthcare reform if he is re-elected next November. Healthcare was the scene of one of the worst defeats of the Clinton administration. A complicated set of measures aimed at making employers help provide healthcare cover for the 20 per cent of Americans without it failed thanks to a campaign against it by a coalition of healthcare industry companies and Republican politicians.

"Clinton's become much smarter.

He's not going to make the same mistakes," says Leschly. "Something will be done about the uninsured Americans who are not covered by health insurance."

The political dinner is *de rigueur* in Europe, too, both with those in power and those likely to gain it, so Leschly has a meeting with Tony Blair, the Labour leader, planned. "He should meet us. We [in pharmaceuticals] are probably the most successful business in the UK. We spend \$3m a day on research and development."

Leschly says that profound differences remain between both European and US political and healthcare systems. "In Europe I am a conservative, but in the US I am a Democrat." Nevertheless, he believes that some aspects of the US healthcare system will eventually be adopted by European countries.

The US private sector is experiencing



If you don't keep score, you're just practising," says Jan Leschly

menting with restructuring healthcare around diseases rather than medical disciplines. Instead of seeing doctors in the emergency room, chest medicine and X-ray, an asthma patient would be seen by asthma specialists.

Would this not help the drugs industry, an area where products are already sold according to type of disease? Yes, but drugs save money by allowing a patient to be treated at home. Drugs might cost hundreds of dollars a year but hospitals cost hundreds of dollars a day, says Leschly.

Next week Leschly returns home, as he does each August, to his beach house north of Copenhagen. He will shortly celebrate his 55th birthday, and has almost taken on

guru status in his home country. "People don't ask for my autobiography like they used to when I was in tennis, but I was Dane of the Year in 1994 and they like to put me on long interviews on the TV."

He shrugs and grins when he talks of speaking Danish with his family at home in Philadelphia and of how his (teammates) children are Danish, not US, citizens.

But he swiftly returns to business mode. There is work to be done, even on summer holiday. Last year's beach reading was *The Quest for Value*, 750 pages on the valuation of companies. This year Leschly plans to browse through something even weightier: the latest work on genetics, the study of human genes.



Sunbeam feels the heat as Dunlap makes his move

These are nervous times for the 12,000 employees of Sunbeam, the US household appliance maker, writes Tony Jackson in New York. Their new boss as of a week ago, Albert Dunlap - "Chainsaw Al" to his friends - has chosen them to start overhauling the company.

His opening diagnosis: "Sunbeam has too many people, too many products, too many facilities and too many headquarters." Dunlap has started axing Sunbeam's top management and has brought in an old hand from previous corporate restructurings, Russell Keast, to handle finance and personnel.

The recipe is gruesomely familiar. In his short stay as chairman of the tissue maker Scott Paper, Dunlap got rid of almost all the top management and 20 per cent of the workforce. He then sold the business to a bigger competitor, Kimberly-Clark, for around \$8bn (£5.7bn).

His re-emergence at Sunbeam is behind schedule and diminished in scale. After finishing with Scott, he had promised to secure his next victim by the start of this year. And, with an initial market value of \$1bn, Sunbeam is a third of the size of Scott when Dunlap took it on.

Perhaps this is not surprising. Within weeks of the Scott sell-off being completed, the phone giant AT&T announced 40,000 job cuts. There was revulsion among the American public and *Newsweek* ran a lead story entitled "Corporate Killers". Prominent among those displayed on the cover was Dunlap.

Cortina in driving seat at Repsol

Alfonso Cortina, the millionaire new chief of Repsol, Spain's biggest industrial conglomerate, has a hard act to follow, writes Tim Burns in Madrid. His predecessor, Oscar Fajula, had over the last decade built a clutch of state-owned hydrocarbons companies into a formidable oil, gas and chemicals group.

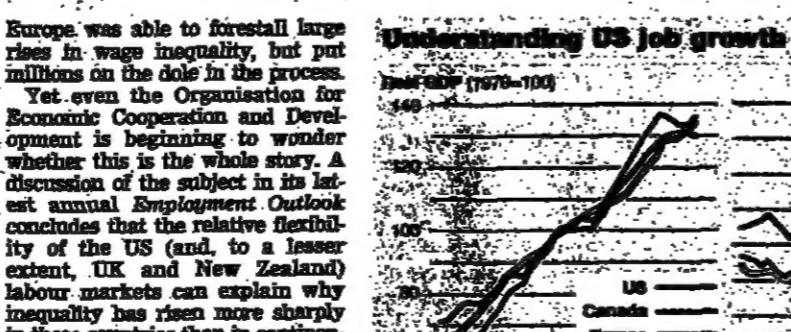
But Fajula, who was appointed by a socialist government, fell victim to the corporate takeover that followed an electoral win by the centre-right Popular party. Professional considerations that have nothing to do with jobs for the boys were behind the decision to recruit Cortina. His business ability enabled him to survive a 1989 divorce scandal involving his brother Alberto, their cousin, Alberto Alcocer, and two of Spain's richest women, Esther and Alicia Koplowitz. The sisters got rid of Alfonso's worth, asked him to run Portland Valderrivas, the big cement group which is one of the jewels in the Koplowitz crown.

Cortina is determined to pump up Repsol's downstream muscle in Latin America and to exploit opportunities in Spain. He also wants to steer through the disposal of the 10 per cent of Repsol that remains in government hands. After that, he will probably stay on as chairman.

Stephanie Flanders · Economics Notebook

The work-wages puzzle persists

Countries may not have to live with higher inequality to create more jobs



ment - or unemployment - of unskilled workers in a given country and the amount of low paid work.

It is more or less impossible to draw straightforward conclusions about causality in this area, not least because the sample of countries is so small. Does one, for example, truly think that Luxembourg's labour market experiences should be awarded the same weight as those of the US? Nevertheless, the OECD's tentative rejection of the employment-wage trade-off is echoed by other recent research, including a paper by three economists from the US, Canada and France.

The study compares changes in wages and employment rates for different age and education groups in all three countries since the start of the 1980s. Like the OECD, the authors believe that similar forces were working to reduce the relative demand for unskilled

labour in all three countries during the period. That reduction in demand showed up in large declines in relative unskilled wages in the US, some decline in Canada, and no fall at all in France. Yet according to the authors' research, this did not have much effect on changes in unskilled employment rates.

In the US, the relative employment of lower-wage groups declined over the 1980s... in Canada and France, where one might have expected relative wage rigidity to lead to even greater employment losses for low-wage workers, the patterns of relative employment growth over the period are virtually identical to the US. The implication is that declining wages did not directly shield unskilled US workers from declining labour demand during the 1980s.

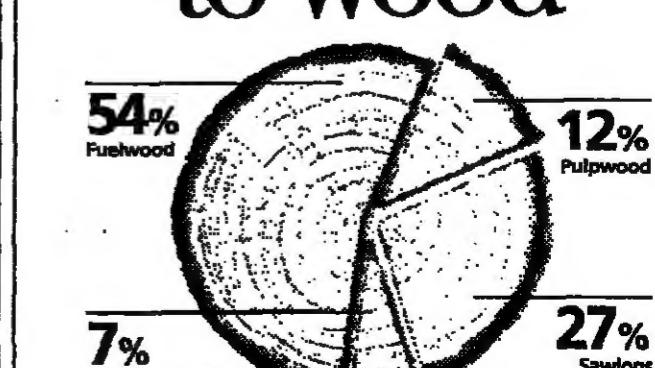
What all this implies is that one must search for another explanation

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For a Hobson's choice, politicians, as a rule, would rather do nothing. They know that they can no longer promise both high employment and high wages. Yet they can hardly be seen to be embracing one at the expense of the other.

The story behind the Hobson's choice is a familiar one. For various reasons - be it technological change, increased trade from developing countries, or immigration - the relative demand for less skilled labour has been declining in Europe and North America for the best part of 20 years. By allowing the relative wages of the unskilled to fall, the "flexible" US labour market was able to keep the nation employed, but at the cost of rising inequality and working poverty. Freed with the same changes in relative labour demand, rigid-old

MANAGEMENT

Poetry is one component of Boeing's strategy to avoid complacency, explains Michael Skapinker

Philip Condit, the newly appointed chief executive of Boeing, the US aircraft maker, recites a poem about what to do if you are lost in a forest.

*Stand still.
The trees in front of you
And the bushes beside you
Are not lost.
Where you are called here.*

The poem is based on a story told by Indians in the Seattle area, where Boeing has its headquarters. It was recited at a Boeing gathering by David Whyte, a poet and storyteller the company engaged to talk to its senior managers.

What does the poem mean? "That you've got to pay attention to the market," says Condit. "That you've got to look at where you are."

Condit, who took over as chief executive in April, finds Boeing where it is accustomed to being: number one in the world aircraft manufacturing industry. He knows, however, that the group has no automatic right to stay there.

Boeing's manufacturing processes have only started to catch up with those of other aerospace companies and still fall short of the standards set by, for example, the car industry. Only in the last few years has Boeing begun to ask its customers, the airlines, what sort of aircraft they want. And Airbus Industrie, the European consortium which is Boeing's nearest competitor, has decided to turn itself into a limited company, which should streamline its decision-making and lower its manufacturing costs.

Condit, who has never worked for any other company, is only the seventh chief executive to head Boeing since its formation in 1916. To some, it may appear that he is taking over at a fortunate time. Although Condit became Boeing president in 1992, it was his predecessor as chief executive, Frank Shrontz, who had prime responsibility for steering the company through the severe recession of the early 1980s.

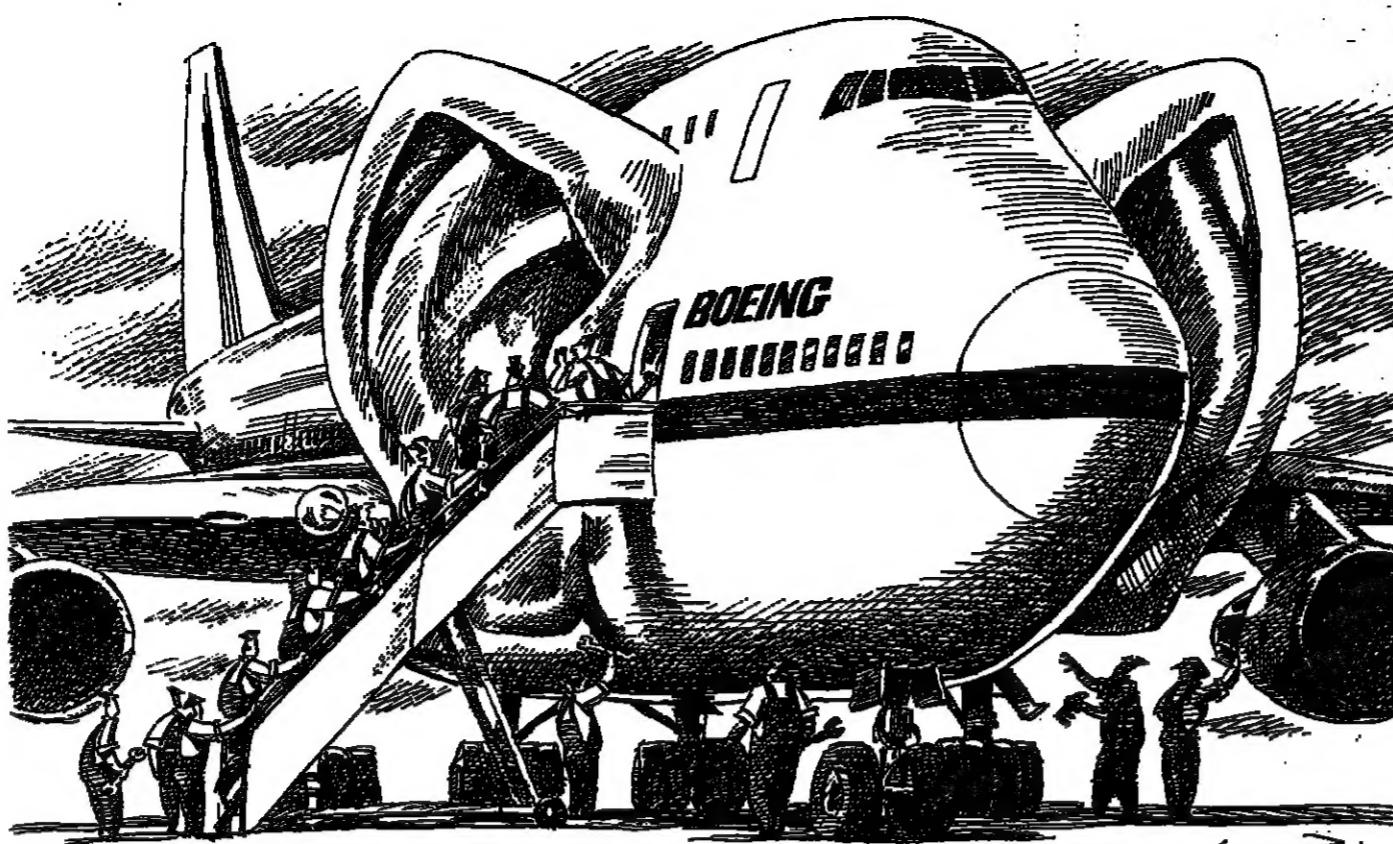
It was Shrontz who had to face the humiliation of seeing Airbus take more orders than Boeing in 1984 - the first time since the advent of the jet age that the US company had been dislodged from the top spot. Shrontz was still in charge last year when the company shed 12,000 jobs and suffered a 10-week strike.

Shrontz is still chairman but expects to step down in a few months. Condit inherits a far more confident company. Boeing won its top slot back last year, taking 346 orders to Airbus's 168, although the European manufacturer has had a strong start to 1996. Airline profits are improving and Boeing's aircraft production is increasing. The company plans to take on 8,000 workers this year, including some of those it let go in 1995.

Condit's most important task is to continue shaking Boeing out of its complacency. Unlike US car manufacturers, Boeing has never had a Japanese competitor. Its principal US rival, McDonnell Douglas, is struggling to stay in the civil aircraft business.

Airbus, however, has managed to win a third of the aircraft market

Workers' ideas taken on board



over the past few years. It began building more sophisticated aircraft than Boeing, incorporating "fly by wire", which allows wing and tail surfaces to be controlled electronically rather than mechanically.

Manufacturers such as British Aerospace, which makes wings for Airbus, developed factories more automated and better organised than Boeing's facilities.

Boe had faced the prospect of almost going out of business, an experience that galvanised its organisation, resulting in radical changes and the loss of thousands of jobs.

The threat to Boeing was less urgent. Shrontz had to persuade his managers and workforce to change even though few of them believed Airbus was likely to win more orders than Boeing on a consistent basis. In the early 1990s, Shrontz began sending managers on visits to Japanese companies in other industries, such as Ricoh, the office equipment maker, Hitachi, the electronics group, and Toyota, the car manufacturer.

The visits to Toyota in particular convinced Boeing managers that they had a lot of catching up to do. As one Boeing manager says: "We saw that there was a different way from the Boeing way." Managers told employees they would have to cut production cycle times in half.

At Everett, 30 miles north of Seattle, managers show off early results of the campaign to improve Boeing's competitiveness. Boeing's Everett factory is a place invoking endless superlatives.

The main aircraft assembly hall is the biggest building in the world. It covers nearly 100 acres and its interior is as high as an 11-storey apartment block.

The Boeing 747, the biggest aircraft ever made, with more than 400 seats, is built at Everett. So is the 767 and Boeing's most recent aircraft, the 777. The factories take in components from 1,700 suppliers.

But because the 747 was first developed as long ago as the mid-1960s, its design is still on two-dimensional line drawings rather than in a digitised form.

The result is that components for the 747 can vary slightly in size and shape, causing wastage and adding to costs. This is a significant problem - the Boeing 747 has 8m parts.

Another difficulty in building the 747 is that while Boeing traditionally did not consult much with carriers when it decided to build an aircraft, it allowed the airlines to specify in detail what they wanted inside. The position of toilets and galleys varies widely on the 747. Airlines specify where they want

them to be and Boeing complies. This, too, adds to manufacturing costs: there are 120 possible locations for a toilet on a 747 and 110 for a galley.

The building of Boeing's most recent aircraft, the twin-engined 777, which carries up to 400 passengers, provided the group with an opportunity to do things differently. Instead of simply presenting airlines with a new aircraft, Boeing asked eight carriers - including United Airlines of the US, British Airways and Japan Airlines - to help design the 777.

The 777 was designed completely on computer, providing greater precision in component manufacture and enabling Boeing to assemble "snap together" aircraft. The 777 was also designed so that the toilets and galleys could slide into whatever position the airlines wanted, instead of having to be installed into fixed positions, as in the 747.

Boeing has now taken the lessons of building the 777 and begun to apply them retrospectively to the 747. The group has begun to digitise the old 747 design drawings. It is a lengthy process, which will take until 1998 to complete but it means that Boeing will have digital designs when it begins building the 747's successors - the "stretched" 747s or "super jumbos" which will carry over 500 people but which will be based on the original 747 designs.

At the same time, Boeing has been running a series of "accelerated improvement workshops", aimed at getting employees in its factories to suggest ways of speeding up production. Condit admits that persuading shop floor employees to contribute to these programmes was not easy in an organisation which had seen redundancies and a prolonged strike.

"I think that's the job of leadership," he says. "In any company you can find some areas where amazing things are happening and other areas where they aren't. And invariably that traces back to the willingness of leaders to listen to people. I find most people have a lot of pride in what they do. If they're cynical it's because they tried a bunch of times to propose solutions and nobody would ever listen."

Some of the employees' ideas have resulted in substantial changes. When the company asked workers assembling the 777 how to speed up production they suggested a reduction in the number of holes in the fuselage. The 777 fuselage had 6,000 holes, into which the fasteners that keep the various components together are inserted. By increasing the diameter of the fasteners, Boeing engineers calculated they could reduce the number of holes to 2,500 - a process which will

base on the original 747 designs.

Condit also plans to encourage new ideas by recruiting a wider variety of employees. Boeing is overwhelmingly white and male. Work has started on building a child care centre at Everett to make it easier for mothers to work there. He wants to see Boeing become ethnically more diverse too, although he dislikes the idea of setting targets or quotas.

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BUSINESS EDUCATION

Conner Middelmann visits a training ground in Reading which hopes to produce tomorrow's financial wizards

Practising for a secure future

A news headline flashes across the computer screen: "Bundesbank cuts Lombard; discount rates by ½ point." The neon-lit room, filled with rows of Reuters, Telerate and Bloomberg computer terminals, erupts into action. Foreign exchange rates start, flashing on the screens as currencies begin to fluctuate, dealing phones ring from all sides and traders frantically buy or sell currencies, trying to capitalise on this latest piece of market-moving news.

This is not the dealing room of a City investment bank; however, the traders are not real and the transactions are fictitious. It is the simulated dealing room of Reading University's Isma Centre, named after its sponsor, the International Securities Market Association in Zurich. The dealers are students working towards an MSc in international securities, investment and banking.

This nine-month course, launched two years ago, differs from most post-graduate degrees in finance and banking in that it stresses the importance of practical experience to back up the theory. Such methods are already

practised in some Australian and US institutions – notably at the Massachusetts Institute of Technology, which recently installed a \$3m (£1.5m) simulated trading floor for its master of business administration (MBA) students – but the Isma Centre claims to be alone in Europe to promote this hands-on approach.

"We aim to integrate a set of practical skills into each theoretical module we teach," says Brian Scott-Quinn, director of the centre. "Some people feel that practical work compromises the theoretical teaching process, but we believe that without experiential learning you never actually know what it's really like out there."

"Out there" is the rapidly changing world of investment banking, where fierce competition and the increasing complexity of products mean that many institutions are keen to recruit well-trained staff who can hit the ground running, rather than generalists who need months of training.

"Our graduates are more immediately profitable – they can start to generate income more quickly and easily than most graduate trainees," Scott-Quinn says.

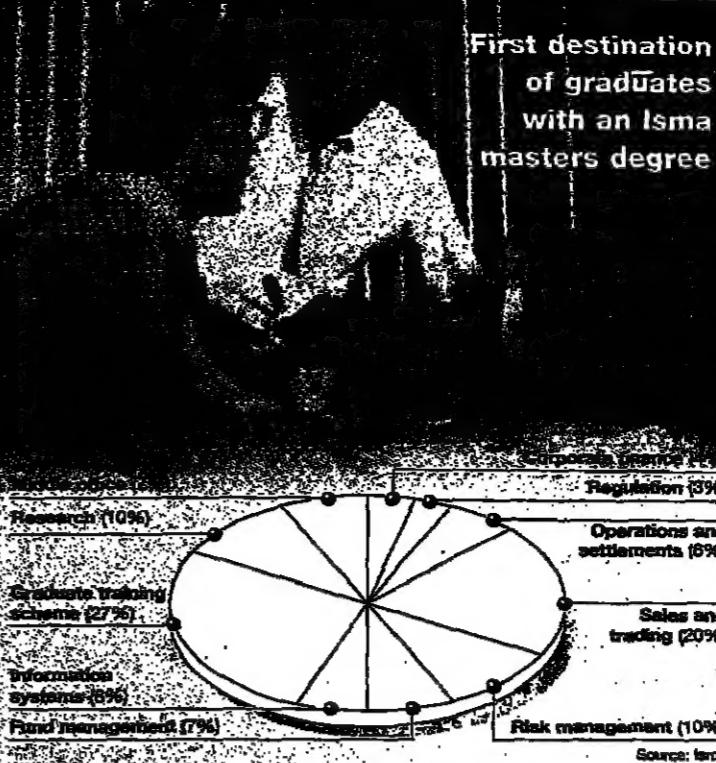
Many students see the course as a stepping stone into London's financial services industry – for some a long-cherished dream.

"I've wanted to work in the City since I was 17," says 23-year-old Nathan Henshall, who has already secured a position at Bankers Trust, the US investment bank. "With a degree in accounting and economics from the University of Bangor, that wouldn't have been easy. But because this course is sponsored by Isma, I feel it's a passport to the City."

Isma has the dual function of being a trade association and market regulator for the international securities markets, with 850 member institutions.

Nearly half the students come to the centre straight after their undergraduate studies, although 20 per cent have had at least seven years' work experience. The course has an international flavour, with 38 per cent of students coming from continental Europe, 25 per cent from the UK, 12 per cent from North America and 12 per cent from Asia and Australia.

To Rosemarie Flynn, 21, the main



attraction of the course was its practical approach. With a bachelor of commerce degree from the University of Cork, she already had some understanding of investments and markets, "but didn't know what really went on inside the industry". The course also helped her identify what areas of the business she is most interested in. "I had thought about trading, but after doing the course I realised it's not for me. I'd prefer to do something more analytical and long-term, like corporate finance."

The Isma centre plans to launch a three year BSc degree in international securities, investment and banking in 1997, to coincide with the planned completion of a £2.5m building on Reading University's campus. Starting in 1997, it will also offer residential summer programmes and seminars for people who already work in the securities industry. A part-time London-based MBA course is also in the works.

NEWS FROM CAMPUS

International rescue for Russian fair

The American Business Centre in Nizhny Novgorod, which is operated by Thunderbird, the American graduate school of international management, has been selected to organise the US business component of the 1996 annual All Russia exhibition. The trade fair in Nizhny Novgorod (formerly Gorky) is Russia's oldest and largest fair.

The Business Centre is signing on American companies who want to participate in the exhibition. American Business Centre: Russia, 8312 37 22 13.

model for similar networks elsewhere in the world. Intelsat: US: 202 944 7500.

How to manage to the highest quality

Managers concerned about day-to-day quality issues could find some answers in the latest publication from the Management Charter Initiative.

The Good Quality Manager's Guide deals with how to develop a quality culture, how to support a organisation's quality vision and how to assure quality. The book costs £12.99. MCI: UK: (0171) 872 9000.

MBA shuffle for Manchester faculty

Manchester Business School has appointed a new director for its post-graduate centre, which offers a wide range of postgraduates degrees including the master of business administration. He is Peter Barrar, who joined MBS in 1983. Francis Buttig takes over as director of the full-time MBA programme and Peter Naudé becomes programme director of the part-time MBA. MBS: UK: (0161) 275 6332.

CONFERENCES & EXHIBITIONS

AUGUST 19-21

Project Finance
The theory and practice of Project Finance, making extensive use of case studies.
• Cashflow, Debt Capacity, Sensitivity Analysis, Feasibility Studies • Present Value, Internal Rate of Return, Inflation, Interest, and Exchange Rates; • Risk Analysis • Types and Sources of Finance and Investment. 3 days £795.
Contact: Fairplan
Tel: 0171 623 9111
Fax: 0171 623 9112

LONDON

AUGUST 22-23
Introduction to Banking for Executive Secretaries and Support Staff
For secretaries, IT and other support staff, providing a sound appreciation of a bank's products, systems and procedures. • The Banking System - History, Practices, Structure, Regulation; • Products and Services; • Frequently Asked Banking and Financial Terms. 2 days £595.
Contact: Fairplan
Tel: 0171 623 9111
Fax: 0171 623 9112

LONDON

SEPTEMBER 1-8
International Environment Law
This 5 day Residential Seminar has been designed to offer the most comprehensive Guide to Environmental Law. The panel of internationally renowned speakers will lead delegates through the entire spectrum of environmental law which includes:
• Domestic & International Legislation;
• Liability and Insurance • Practical Issues for Business; • Compliance Procedures; • Dispute Resolution.
Enquiries: The Study Group/Karen Smith
Tel: 0181 765 7050
Fax: 0181 765 7649

LONDON

SEPTEMBER 2-3
Frank Fabozzi/MBN - Second Annual Beneficial Owners' Summit on International Securities Lending
Course features over one dozen Scottish Beneficial Owners. Sampling of topics: • Determining Appropriate Lending Schemes • Risk Management; • Evaluating Counterparties; • Repo Update; • Collateral Management; • UK Premier Golf Tournament 2 September
Tel: 1-212-768-2800 ext 1
Fax: 1-212-768-2484
Email: imra@raad.com

ST Andrews, SCOTLAND

SEPTEMBER 2-5
Fire International '96 Exhibition
The latest firefighting, prevention and protection equipment and services brought together from around the world. More than 250 participating companies. For further details and complimentary admission details contact Nicky Molloy
Tel: +44 (0) 1737 768611
Fax: +44 (0) 1737 761 685

G-MEX Centre, MANCHESTER

SEPTEMBER 10

Productive Order Picking Systems
Practical conference featuring application papers from major UK companies. Topics include picking strategy, system coding, the use of standard time data, warehouse management systems, lean picking and automated item picking.

Contact: Fiona Griffiths,
Cranfield Logistics Ltd.

Tel: 01234 75023
Fax: 01234 75204

WOBBURN ABBEY

SEPTEMBER 10-11

Intranets and Network

Computers: Shaping the enterprise IT Infrastructure

The Intranet - the internal internet - is the hot topic in IT today. In combination with Groupware and Net, it offers organisational collaboration among and productive use of information and knowledge. IBM, Apple, Oracle, Netscape, Sun, Microsoft, IBM, HP, Lotus present their products, services and strategies. Barclays and BTU's present case studies. Tel: 01833 625486. Price: £950. Ref: 100101

email: pme@raad.com

LONDON

SEPTEMBER 11-12

Integrated Call Centre

SEPTEMBER 10

Managing the Integrated Call Centre

SEPTEMBER 15

Applying Integrated Call Centre Technology

Computer Telephones Integration has changed how telephones are carried out in the competitive commercial environment. The integrated call centre achieves even better results by bringing together points of sale and the Web. Specialists from Ericsson, Mercury, BT, Vocalis and others explain the technology and the benefits.

Contact: Business Intelligence

Tel: 0181 543 61305
Fax: 0181 544 9020

LONDON

SEPTEMBER 12

Building the Corporate Intranet

Internet technologies are today delivering what open systems and workflow technologies have promised for almost a decade. This Butler Group Senior Management Conference will explain what Intranet technologies are, how they are being used, and provide a strategy for their implementation within the enterprise.

Contact: Butler Group

Tel: 01482 586 377
Fax: 01482 596 378

<http://www.butlergroup.co.uk>

LONDON

OCTOBER 1-3

Developing the New IT Scorecard

Delivering business value is a recognised priority for IT. The challenge lies in translating this goal into a measurable strategy. Packed with the latest thinking and practice, this is the only UK event where you will discover how to develop and implement a balanced IT scorecard.

Contact: Business Intelligence

Tel: 0181 543 6135
Fax: 0181 544 9020

SEPTEMBER 20

Maximising New Opportunities

In Long Term Care

The SAS Radisson Forum Hotel

New developments in Government policy on long-term care for the elderly will cause an explosion in the health, insurance, and pensions market. The potential for profit is immeasurable. Our expert speaker panel including the Shadow Health Minister, Henry McLeish will provide you with unique knowledge and insight into this new growth market.

Contact: Fiona Griffiths,

Cranfield Logistics Ltd.

Tel: 01234 75023
Fax: 01234 75204

LONDON

OCTOBER 21-22

Utility Week -

IT in Utilities Congress

The IT in Utilities '96 Congress and Exhibition is the second forum of its kind for senior managers in the electricity, gas, telecoms and water industries to meet and discuss effective IT strategies for European utilities. A comprehensive programme of conference presentations and specialised workshops will be augmented by an exhibition.

Contact: Fiona Griffiths

Alex Daniel,

1st Conference, 0171 404 7722

Exhibition: Ruth Eppie, Utility

Week: 0171 657 3877

LONDON

OCTOBER 22-23

Business Performance

Measurement

A two day conference addressing the key issues in the implementation of new performance frameworks including operational, financial and the Balanced Scorecard. Process Benchmarking and Quality approaches.

Contact: Business Intelligence

Tel: 0181 543 61305
Fax: 0181 544 9020

LONDON

OCTOBER 26 & 27

FT WORLD MOBILE

COMMUNICATIONS - Strategies for the Wireless Millennium

The challenges of valuing and financing mobile operations; Industry progress towards the consumer market; the market positioning for new entrants will be discussed and debated by key speakers.

Contact: Ian Pease of Mercury One 2 One, Jane Stock of Orange, Francisco Calo of Osmocom, Mr Alain Ma of Hong Kong Telecoms CSL and Mr Tsuehi Ondrea of DDI Corporation and Mr Patrick Lee of Bouygues Telecom.

Enquiries: FT Conferences

Tel: 0171 896 2626
Fax: 0171 896 2696

LONDON

OCTOBER 30-31

Process Re-engineering

This conference and exhibition will define the role of management in the process based organisation, manage the portfolio of performance improvement techniques to unlock the transformation potential of IT, mobilise employees to achieve radical cultural change and tap into human power of people.

Contact: Business Intelligence

Tel: 0181 543 61305
Fax: 0181 544 9020

LONDON

OCTOBER 15 & 16

Developing the New IT

Scorecard

Delivering business value is a recognised priority for IT. The challenge lies in translating this goal into a measurable strategy.

Packed with the latest thinking

and practice, this is the only UK event

where you will discover how to develop

and implement a balanced IT scorecard.

Contact: Business Intelligence

Tel: 0181 543 6135
Fax: 0181 544 9120 ext 241

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BUSINESS TRAVEL

Travel News · Roger Bray

Paris goes electric

Business travellers to Paris may now do their bit to fight global warming by renting electric cars. Eurodollar is offering the Citroën AX at five locations, and says the cost - FF1455 (257) a day, including unlimited mileage, taxes, collision damage waiver, theft protection cover and personal accident insurance - is less than for hiring an equivalent petrol-driven car.

The company says it is "conscious of the ever-present need to protect the environment, especially in large cities where pollution is a sensitive issue". A bonus is

that Paris car parks, 25 of which have power points where batteries can be recharged, are free to electric car drivers.

Seattle's third runway

Seattle's politicians have voted to build a third runway at the city's main airport, but local residents will fight to stop them. Regular travellers grumble that when fog blankets Puget Sound, jets stuck up, then peeled away to land at Portland, Oregon, or across the Canadian border in Vancouver. Backers of the \$455m (£291m) project claim it

will enable Seattle's airport to cope with expanding traffic well into the next century. Opponents argue that it is just a stop-gap, and say a completely new airport will eventually be needed.

Back seat check-in

Virgin Atlantic is planning to issue its Upper Class passengers with boarding passes and relieve them of their luggage in the comfort of a limousine. Customers using the free, chauffeur-driven service to London's Heathrow airport will be driven to a desk in the short-term car park at Heathrow's Terminal Three. A staff member will sit in the limo with them, check them in

and ask necessary security questions. Then passengers will be dropped at the entrance to the departure area, where they can walk straight to the airline's lounge.

10,000 flamingos that live there - start at £262. Fares quoted do not include taxes. They are valid for departures until September 30.

Amsterdam offers

Cut-price flights via Amsterdam's Schiphol airport to central America and the Caribbean are on offer from KLM through the London-based travel firm Trailfinders. A round-trip fare of £450 is available to Panama City and San Jose, Costa Rica. Prices to the islands of Curacao, St Maarten and little-known Bonaire - whose exotically named Flamingo airport salutes the estimated

is designed to last long after the hand-over. The Taipei-Hong Kong route is one of the world's busiest. It already sustains over 200 flights a week, and EVA will add another 16.

Düsseldorf tenors

Stuck in Cologne over the weekend of August 24-25? The Hyatt hotel will get you tickets for the Three Tenors open air concert in Düsseldorf that Saturday evening, drive you there and provide snacks and champagne to liven the wait. A two-night stay (Friday and Saturday) costs DM985 (£592) including extras such as a gala dinner. Tickets are priced separately.

Amon Cohen says the industry estimates there are now more than 5,000 travel-related Web sites

A harassed business traveller recently found salvation at Cafe Internet in London's Victoria. The visitor from the US was staying at the nearby Rubens Hotel and was due to give a presentation at the following day at the American Express for a film contract.

His presentation was contained on his laptop computer. The problem was he had lost his laptop at Heathrow airport. Fortunately, Cafe Internet, one of the growing number of cybercafes that offer a computer terminal and a chance to browse the World Wide Web, in addition to refreshments, was able to help.

"From one of our computers, we remotely logged into his office computer, found the presentation and downloaded it to the cafe, where we printed it on to acetate," says Cafe Internet owner Gavin Sheppard.

For most business travellers, however, the chief interest in the Internet is the continuing proliferation of travel-related Web sites, of which there are now 5,000, according to industry estimates. Many can be found in a UK-based print directory called *Travelmag*. For details, see the magazine's own Web site at <http://www.travelmag.co.uk/travelmag/>.

In addition to a rapid increase in the number of these sites, the past year has seen many converted from little more than information centres into online booking facilities. A visit to one of the newest reservation services, launched earlier this month by Inter-Continental Hotels &

Resorts, provided a good example of recent progress.

Pages are cleaner and faster to access. There are more graphics than in earlier models, and they are far sharper.

The Inter-Continental site (<http://www.interconti.com>) provides several photographs of each hotel, plus a map of its location and a layout.

Inter-Continental's Web site also provides easy connections to the reservations sites of its airline and car hire partners, and to useful related information pages on weather forecasts and exchange rates. In a sense, Inter-Continental is doing little more than offering an alternative outlet for the same product it distributes through travel agents and telephone reservation centres.

Yet one of the fascinations of the past year has been the development of new products that exploit the potential of cyberspace. Example: the cyberspace auctions conducted in the US by American Airlines and Cathay Pacific, where the carriers put seats on the market and offer travellers a chance to tap in bids.

Similarly, American Airlines is offering Net SAAver fares - essentially, discounted last-minute fares - for as little as 10 per cent of the published tariff. Last-minute fares have long been familiar in the chartered aircraft market, but it was only the Internet which provided American with a

cost-effective method of marketing and distributing its dressed stock of scheduled seats to the public.

The idea is catching on. John P Davis III, Dallas-based president of TravelWeb, says that he, too, is poised to introduce auctions and last-minute rates for the 8,000 hotels which sell rooms through its service. TravelWeb (<http://www.travelweb.com>) is becoming a formidable force on the Internet, with 71.5 per cent of 3,000 respondents to a recent online survey by *Travelmag* saying it was the travel gateway it used most.

TravelWeb, whose parent recently sold preferred stock worth \$7.5m (£4.8m) to Dun & Bradstreet-dominated investment company Trident Capital, is a consortium of 15 of the world's largest hotel companies. It offers what it claims is "seamless connectivity" into the reservations systems of participating hotels, allowing browsers to survey all the rates a hotel has to offer.

Davis says that TravelWeb is accepting more than 100 bookings a day, bringing in more than \$750,000 in revenue a month. That could soon rise dramatically. Hertz joined the service last month and 280 airlines are due to be added in the next few weeks.

Despite this burst of activity, one business travel constituency remains ill-served by the Internet. This is the corporate travel buyer and the company on whose behalf travel services are purchased. Most large companies negotiate special rates with leading travel suppliers, but there is no mechanism to distribute them via the Web.

Worse, there is a danger that employees can use the Net to wriggle past company policy and procedure, and book with an unsanctioned airline to rack up mileage points or even fly in a superior class. Such ruses are regularly knocked back

when reservations are made by travel agents, part of whose brief is to police travel bookings on behalf of corporate clients.

However, solutions to these problems are imminent. Marriot, which takes 500 bookings a month over the Internet, plans to introduce client identification codes on its site. A customer from, say, Hewlett-Packard will be able to type in a special code for HP employees, and the computer

will react by displaying the low rate negotiated by HP.

But the system is still open to abuse if people who are not HP employees discover the code and use it to obtain lower rates than would otherwise be available to them. "They would be silly to do that because on arrival we may ask for their Hewlett-Packard identification," says Peter Dennis, Marriott's marketing automation manager for Europe and the Middle East. "Nevertheless, there is a potential security problem."

Clearly, what is needed, says Dennis, is a properly closed network in which access is restricted to company employees. The formation of such intranets is becoming possible as corporations move their computing platforms from the old 8-bit technology to Web servers, thus giving them a private, customised version of the Internet.

As far as travel is concerned, this gives companies security as well as the ability to tailor travel booking software to their own organisational structures, and ensures that bookings are made only with preferred suppliers. It would also enable companies to collect precise data on who has booked to travel where and with which airlines and hotel companies - the very information they require when negotiating discounts with suppliers.

At present, TravelWeb is beta-testing just such a private site. As is happening in realms far removed from travel, the Internet is gradually being taken under corporate control.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
London	22	22	22	22	22	22	22
Paris	22	22	22	22	22	22	22
Frankfurt	24	24	24	24	24	24	24
Paris	27	27	24	25	25	24	24

Min. temp. in °C/pa

BEIRUT 0345 320100
DAMASCUS Amman

BETWEEN THE AIRPORTS

Sleepless night from hotel bill

Scheherazade Daneshku looks at the high cost in Europe of staying away from home

The most stressful part of a stay at a hotel is usually at the end.

The receptionist hands over your bill, you gasp - and hand over a credit card.

Hotel prices in Europe have risen steadily in recent years, and the trend is likely to continue, according to consultants Pannell Kerr Forster Associates.

A recent survey of 317 upmarket hotels in the largest European cities found that prices rose last year in local currency terms compared with the previous year, although the strength of Germany's currency (which is used to provide Europe-wide comparisons) produced a small decline in the Euro-average for achieved room rates, to DM203.09 (£35).

Paris has the unenviable reputation of having the most expensive upmarket room rates in Europe, with an average achieved rate of DM380.31. It is followed by Geneva, Moscow and London.

Prices of UK hotel rooms, particularly those in London, have risen sharply. Last year the average room rate in the UK was £80.86 - a rise of 7.8 per cent, according to Pannell Kerr Forster - while constraints on supply in London pushed rates up by 11 per cent.

to £90.49. Industry analysts believe higher rises are on their way.

Hotels can push through higher prices without necessarily raising their publicly quoted room rates. Instead, they restrict discounts or reduce the frequency with which they award discounts.

Pannell Kerr Forster's study shows that despite the rise in room prices in Europe last year, fewer rooms were sold at full rates. The number of full-rate rooms fell to 11.5 per cent of the total compared with just under 13 per cent the previous year.

By contrast, rooms sold at a corporately discounted price increased fractionally to 32.6 per cent from 31.8 per cent.

• Aerobics before brainstorming. Marriott is offering conference delegates the option of clearing their heads with a little instructor-led exercise before they get down to business at 27 of its UK hotels, writes Roger Bray.

"Themed refreshment breaks" also include the offer of root beer and pecan pie served by staff in Wild West outfits - or mugs of tea and bacon sandwiches dispensed by employees in hard hats and donkey jackets. They are part of a new meetings package.



THE AMERICAN EXPRESS

Traveling and in sudden need of

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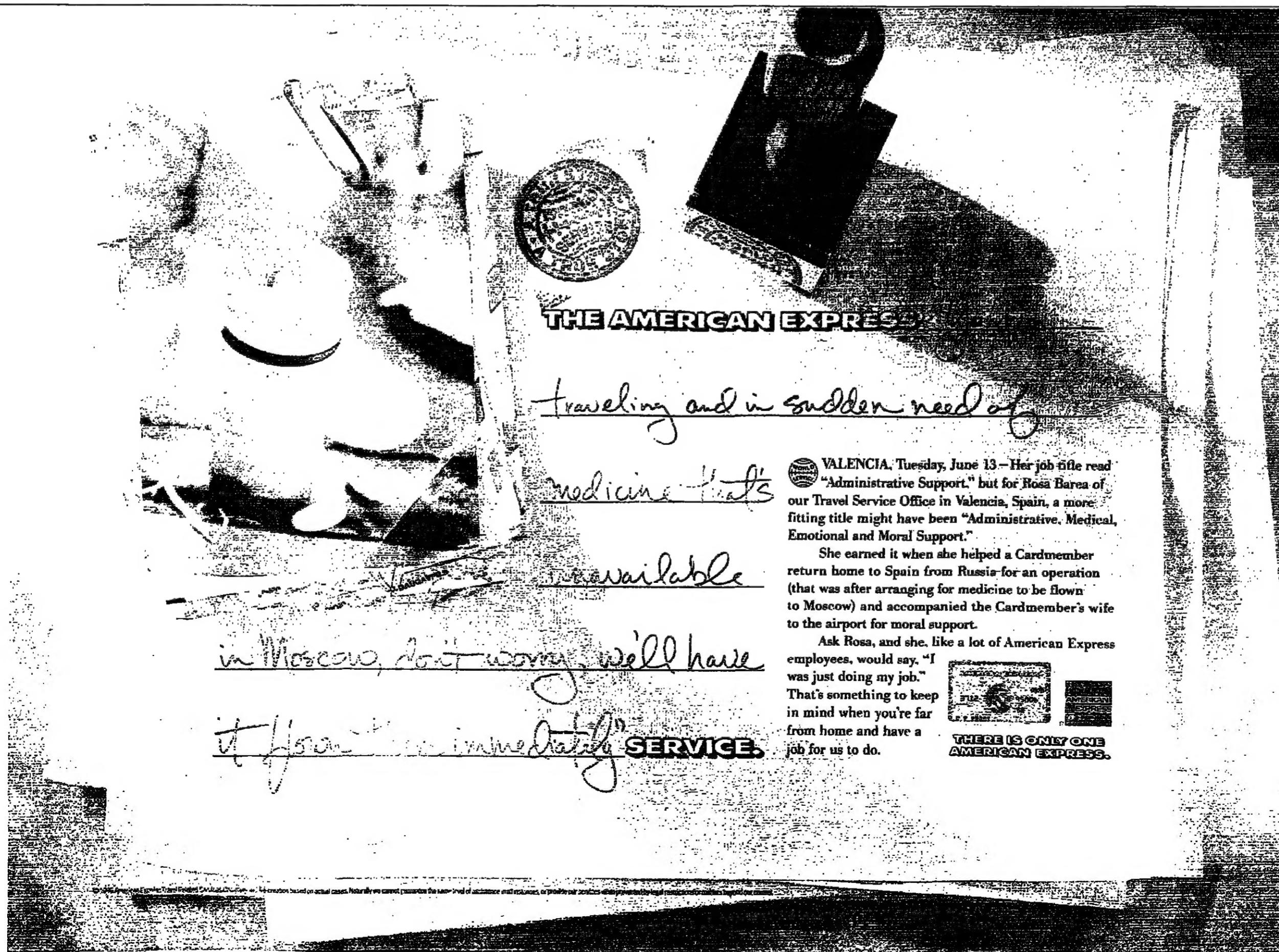
in Moscow, don't worry, we'll have

it from our online travel SERVICE.

VALENCIA, Tuesday, June 13 - Her job title read "Administrative Support," but for Rosa Barea of our Travel Service Office in Valencia, Spain, a more fitting title might have been "Administrative, Medical, Emotional and Moral Support."

She earned it when she helped a Cardmember return home to Spain from Russia for an operation (that was after arranging for medicine to be flown to Moscow) and accompanied the Cardmember's wife to the airport for moral support.

Ask Rosa, and she, like a lot of American Express employees, would say, "I was just doing my job." That's something to keep in mind when you're far from home and have a job for us to do.



الآن في مصر

MEDIA FUTURES

Your newspaper is ready now

The electronic Daily Me is no longer a pipe-dream, says Victoria Griffith

A casual observation of the way people thumb through dead-tree newspapers may yield important insights into the future of publishing on the Internet. Very few people read newspapers from top to bottom, or even cover to cover. Most flip through the pages, pausing when something catches their eye.

From the outset, performing this filtering job for readers has been a goal of emergent Net publishers - a way of stealing a march on traditional news providers. In fact, customising news into a personalised Daily Me is no longer a pipe-dream.

The last few months have provided a glimpse into the future with the launch of three primitive versions by PointCast, the Wall Street Journal and the Microsoft Network. The services offered by the Wall Street Journal and by the Microsoft Network are alike in that both provide a news service filtered according to subjects nominated in advance by subscribers.

PointCast, in contrast, allows subscribers to receive a personalised computer news service on their desktop machines via the Net, with various options including general news, sport and business. Subscribers can also select companies they want to hear about.

These new services are fueling debate as to whether individualised news is an achievable - or desirable - goal. Tailoring information may have important implications. Thirty years ago, most Americans tuned into one of three chief television network broadcasters - ABC, NBC or CBS - for their nightly news. Anchors like John Chancellor and Walter Cronkite were fatherly figures who helped guide viewers through the events of the day. The result was often national consensus.

"Fragmentation has already occurred to a large extent, with specialised publications and cable," says Stan Lepeak, a Net analyst at the market research company Metastrophic. "But the new individualised services could speed that up."

Some see this as healthy. "The thing is that sometimes Cronkite and Chancellor were wrong," says Walter Bender, a researcher at the Massachusetts Institute of Technology's Media Laboratory. Yet Lepeak believes the Daily Me may further shield the uninformed from reality. At present, someone might tune into TV's nightly news to get a weather forecast and accidentally hear about Russia's election results. A Daily Me would allow viewers to screen this information out. "This could exacerbate the dumbing down of America," says Lepeak gloomily.

However, many Net publishers believe there is a good market for more personalised news. "People are facing a real information overload, and this gives them a way of sorting through the chaos," says James Reilly, vice-president of strategy at PointCast.

Digital sleuth crosses Atlantic

By Stephen McGookin

Ted Evans loves a good story. He is widely acknowledged as one of the world's leading digital designers, and *The Cypher* is his baby.

Part Sir Walter Scott, part HG Wells, part William Gibson, *The Cypher* is a CD-ROM-based sleuth novel which involves the viewer at every step in the unravelling of a series of interactive mysteries.

In the US for the past year, about 250,000 readers of Launch magazine have been reading the adventures of 1999 cybersleuth John Shor-



Yet figuring out what people really want can be a struggle. Early Daily Me versions require readers to identify specific interests: news about particular companies and industries, for example, favourite sports teams, or the weather in specific cities. The problem is that people don't always know what they really want.

James Reilly cites the OJ Simpson trial to make the point. "When the news story first broke, who would we have directed that to?" he asks. "Football fans? Legal scholars? Residents of Los Angeles? This is a lot of people wanted that story, although it would have been difficult for them to have signalled their interest in advance."

Another problem with the Daily Me concept is that the desire for information is dynamic. Someone who lives in London may lose interest in the local weather forecast, for instance, when leaving for a vacation in the Canary Islands. An investor may no longer care about General Electric's results after unloading shares. "People's interests change over time," says Neil Budde, editor of the Wall Street Journal's interactive edition. "And that's one thing this medium has a hard time with right now."

Readers may also delude themselves. A business school student may feel obliged to identify interbank rates as a favourite topic, for example, but spend much more time

reading about new restaurants. MIT's Media Lab is exploring ways of dealing with some of these problems. In one experiment, the computer observes readers' viewing habits to determine what their interests really are. They may have said they're keen on international politics when what they should have said is baseball.

The Media Lab is also trying to link its news service to readers' lives away from their computers. Allowing the service to peek at a subscriber's diary may yield improved customisation. In one scenario, MIT's Daily Me notices a subscriber is planning a trip to Brazil, and sends him a story on tipping customs officer Paul. Or the service might notice that a subscriber makes frequent visits to concert halls, so offers a piece about new research on Beethoven.

While these experiments are promising, they are not yet available on the market. Meanwhile, Net publications are addressing the problem by offering a large helping of general interest news along with tailored information.

"Traditionally, people in the news industry have done a pretty good job of identifying what people will be interested in," says Reilly. "That's why we've formed partnerships with CNN and Reuters for reporting. It's a human factor, so it's not perfect, but it still

does a pretty good job." Yet identifying readers' true interests is only half the battle, say people in the industry. The other half is retrieving articles to fit the bill. Net editors say they are still weighed down by the feast-or-famine structure of today's primitive search mechanisms.

Some engines, such as Ultavista, capture every word in the text to provide a comprehensive data base. The result is often a deluge of pieces of no interest to the reader. A search for information on Columbia University, for example, may sweep up articles on the Columbia River. Other mechanisms, such as Excite, limit their searches to key words. Yet this method can skip over pieces viewers would find relevant. Computers don't yet look at the world as people do. It is hard for them to understand subtleties of context.

To address the problem, some programs allow groups of cyberspace denizens to dictate the sort of articles selected. The idea is that like-minded people are interested in the same topics. MIT's Fishwrap news service, for instance, shifts the order of news articles depending on how many people at the university are reading them. The more viewers the article attracts, the more quickly it moves to the top of the list.

Because of technological barriers, many readers complain that their experience with

early versions of the Daily Me is unsatisfactory. "I tried the Wall Street Journal's interactive edition, but it didn't work for me," says Craig Stracke, a business school student. "The computer didn't seem to grasp what sort of things I'm really interested in."

Advocates of the Daily Me concept say these early attempts were bound to be flawed. "Personalised services are bogged down by primitive technology right now," says Ted Julian, a Net analyst at International Data Corporation. "But as programs get more sophisticated, so will the Daily Me."

Tim Jackson

Juno hints at shape of things to come

Follow the free." This maxim, put forward a year ago by Kevin Kelly of Wired magazine, has proved a perspective way of identifying successful Internet businesses with promise. Kelly's point was that companies able to create a business model allowing them to give their product away, while covering their costs through advertising or some other source, are best positioned to benefit from the lightning speed at which good ideas spread across the Net.

But the practice of giving things away has become so commonplace that Kelly's Law now needs to be modified. One should follow not simply the free, but the newly free: either things that have never been given away before, or things given away in a novel way. A perfect example of both is Juno, a free electronic mail service based in New York, that has just completed its third month of operations.

Free? Yes. Juno's "customers" pay nothing for the software, nothing for monthly subscriptions, and nothing in hourly charges. All they need is a PC, a modem and a phone line, and they can make a free local call into a "point of presence" provided for Juno by AT&T. All the infrastructure, software and marketing costs are covered by displaying ads on customers' PC screens while they work.

There are a couple of clever twists. One is that Juno's software prevents customers from surfing the Web or attaching large graphics files to their messages. Pictures take up more data than words: for example, an average full-page colour graphic occupies about 100 kilobytes of space on a PC, equivalent to 20 copies of this article. So by barring customer access to graphics and attachments, Juno reduces both the average amount of

data they send and receive, and the average number of minutes per month they spend online, by something between 80 and 90 per cent. That in turn cuts hardware and telecommunications costs.

The other twist is that Juno customers have to answer 20 demographic questions before they sign on. That allows the company to present them to advertisers not as an amorphous group of readers or viewers, but as an audience that can be targeted right down to the individual. Advertisers are so keen to direct a message only to men of 31 or more who have two children and earn more than \$17,000 (£10,000) a year, for example, that Juno can achieve average rates per 1,000 customers reached that are far higher than the Net average. Current rates are something like 6-12 US cents per customer, depending on targeting, compared to 2 cents for the average Web site.

Companies and brands that have advertised include Quaker Oats, Snapple, Miramax, Wired, Okidata and Votecell.

The use of computers allows Juno to do more than simple advertising. The company can also carry out online surveys and opinion polls, where demographic information can be used to correct skewed response rates. So a company that wants to try out an advertisement, or test responses to a proposed new brand name, can see what Juno customers think of it before unleashing it on the wider public.

In theory, this looks like a technology where low cost and high speed could put Calcutta up with the rest of the world. "I don't think so," is the superficially modest reply of Charles Ardai, Juno's chief executive. "Gullup will always be needed to reach the population that doesn't have access to computers." Ardai is 26. Juno was his idea. It arose during a brainstorming session inside

DE Shaw, a boutique New York investment bank with a technological bent, in which the company's top executives were trying to come up with some Net businesses that would make money. The argument - absolutely correct, in my view - was that e-mail is the only Net activity so far of proven and lasting usefulness. A service that offered e-mail access for free, using a proprietary piece of software, ought to attract enough customers to give DE Shaw a broad platform from which to attack other Net businesses.

That ambition has been fulfilled. In only three months, Juno claims to have attracted more than 180,000 customers.

While AOL or CompuServe might have to offer PC makers a "bounty" of \$10 to put a sample diskette in the boxes they send out, Juno has argued that as its service is permanently free, a Juno diskette offers more value than a mere one-month trial for its competitors - and that PC makers should receive no money for including it.

Juno has persuaded retailers to stock its diskettes next to till rolls, free with any purchase, so that the diskettes increase sales. Marriott Hotels and Sony's US movie theatres are pushing Juno.

At first sight, the Juno formula seems not to be replicable abroad. Where customers have to pay for every local call, as in Britain, the extra cost of receiving the ad on the monthly cost of paying a Net subscription even if the ad transmission time is only one minute per day. This clearly erodes the advantage of Juno's "free" status. But in practice there is no reason why ad revenues should not cover phone charges, too.

Within two years, I expect to see free e-mail in many countries using national 800 numbers - and perhaps even to see customers paid to use an e-mail service in return for watching the ads. tim.jackson@pobar.com

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Cyber sightings
Cyber sightings is a regular column in the Financial Times, featuring news and reviews of the latest developments in the world of the Internet and the World Wide Web. The column is written by Stephen McGookin, a journalist and writer who has been involved in the development of the Internet since its earliest days. He is currently working on a book about the history of the Internet and its impact on society.

• The Mozambique Relief Appeal (www.ed.ac.uk/~cmpl/moz.html) is geared to attracting interest and aid for the Mafinge area of this African country. The site makes good use of frames and gives good background information on the problems and efforts to solve them. An example of using the Net for positive activism.

• If you play the New York state lottery, keep an eye peeled for LottoTRAX (www.lottotrax.com), which is being developed. It's a program that tracks your lottery selections and e-mails you when the numbers come up, assuming that you need such a reminder.

• The US Environmental Protection Agency has outlined details of its Economic and the Environment programme (www.epa.gov/docs/oppe/aed/cdmpng.htm) with some interesting research reports and facts on pollution control.

• Junior Chamber International's site (www.jcinternational.org) has information on this global networking organization, how to contact it, what its activities are, which are the best branches of Brooks Brothers - that sort of thing. You'll need

www.ft.com

SPORT

Racing's cash drying up

Bookmakers are to blame for UK racing's failure to counter the challenge of the national lottery, says Michael Thompson-Noel

Horse racing is the most vampire of sports. It does not suck blood, but every day, on every continent it draws greedily on the great reservoir of cash that sustains it. The Hittites, who raced horses and gambled, probably grumbled as inflation nudged the cost of fine horseflesh beyond the price of gold.

And the grumbling has never stopped. At Ascot on Saturday, Britain's leading all-age, 1½-mile race, the De Beers-sponsored King George VI and Queen Elizabeth Diamond Stakes, was won by an eccentric speedster named Pentire. It was a glittery Ascot occasion.

But in the private boxes, many racehorse owners will have discussed the issue that is depressing British racing. Its reservoir of cash is shrinking.

Everywhere, horse racing is heavily subsidised. A key statistic in all racing countries is the amount of prizemoney available to help defray owners' costs. In Britain last year, racing's prizemoney totalled \$58.2m (£31m), 6 per cent more than in 1994. In 1995, an equal share of the prize total – 18 per cent each – was supplied by owners (in the form of race-entry fees), racecourses and sponsors. The greatest share, 32 per cent, came from the Horserace Betting Levy Board, which pumps money into the sport via a levy on off-track betting. But the pump is stuttering. The yield from the levy in the

board's latest 12-month period, to March 31 this year, was £38m, against £50.7m the previous year. The 1995-96 yield was 5% less than forecast in October 1994, just before the introduction of Britain's national lottery, which – to the fury of the puritans and of those who operate rival forms of gambling – has been a runaway success.

"In a way," said George – we were in one of his own hotels, London's Park Lane Hilton – "the lottery will probably have a far smaller effect on general betting than if UK betting were based on a *part-mutuel*. Many *part-mutuel* bets go strictly on numbers. It is the same with lotteries... But there will be some impact on retail spending behaviour in Britain – perhaps on confectionery sales, maybe on tobacco sales, and undoubtedly on the football pools."

The Ladbrooke chief must regret every word, especially that quip about numbers, which has proved wide of the mark: wider than an asteroid belt. What has clearly happened is that a lot of horse bettors who were not numbers bettors have switched to the lottery because of its millionaire prizes, slick marketing and the ubiquity of its outlets.

On, and a lot of us were fed up with betting shops gloomy places, dirty places, staffed almost always, by people from Planet X.

■ The Ecclesiastical Insurance

Tour of the Cotswolds sounds like a refined tour of Cotswold churches, but turns out to be British cycling's longest and toughest road race.

It is staged on August 4, sponsored – at next to no cost – by the Gloucester-based Ecclesiastical Insurance Group. The race takes about five hours. Over 119 miles, riders climb almost 7,000ft, twice the height of Mt Snowdon. (They also descend almost 7,000ft, but that is not a significant consolation.)

Ecclesiastical Insurance is Britain's leading insurer of Anglican church property, care homes and independent schools. It also has a proselytising division, Ecclesiastical Direct, which deals with secular policyholders seeking house, contents and motor insurance. Its ethical unit trust is called the Amity Fund.

"No," said Ecclesiastical spokesman Brian King, "the race is nothing to do with churches. It is a corporate sponsorship just like any other." How much? "About £25,000." Happily, the race is also supported by an enormous voluntary effort. We are very happy with our sponsorship. What we pay for are prizes, some expenses for foreign competitors, and printed matter.

The Cotswolds race, which is for the hardest of hard men, is becoming increasingly important, given the recent cancellation of the Tour of the Peaks race. Cycling is being hit



Pentire (left) winning Saturday's big race at Ascot in style. But the sport has deepening money worries

badly by the loss of quality events. There has been no replacement for the Milk Race or the Kellogg's Tour of Britain, and there are rumours that the Leeds Classic will be cancelled."

■ America's National Basketball Association won a lawsuit against Motorola, the big US electronics group, last week when a Manhattan judge ruled that Motorola had "engaged in unlawful conduct" by supply-

ing depictions of action during NBA games via a hand-held, paper-like device called SportsTrax.

The device, which sounds really geeky, was unveiled early last year to provide batter-by-batter information on major league baseball games. This year, Motorola started to transmit "accounts of basketball games via SportsTrax."

Motorola claimed that SportsTrax merely offered a variant of standard media coverage. No, countered the NBA, it did not. What SportsTrax did was cross "the boundary from

mere media coverage of NBA games into competing commercial misappropriation of [them]."

The NBA was given a permanent injunction against Motorola, although a claim for unspecified damages was denied.

The media revolution is gaining pace. Boundaries between computing, telecoms, broadcasting and the ownership of media content – including ownership of sport – are blurring. There is a lot of wrangling. There is a lot of wrangling.

shops at ground level. Above, the plan allows for large dealing floors, something that has not been possible in the format of existing towers.

As a privately funded symbol of the City's continuing confidence in itself as a leading financial centre, the tower has a lot of point. Its free form allows an element of transparency and its final shape – yet to be decided – should make a distinctive, unforgettable contribution to our perception of London.

But it should not stand there alone. It should be at the heart of a cluster of new towers, creating a skyline fit for the 21st century.

Colin Amery • Architecture

Time for London to reach for the sky

Why is the City of London so modest? Planners and consultants are considering an idea from the architect Sir Norman Foster and developer Trafalgar House to build the tallest office building in Europe on the site of the Baltic Exchange. Yet when it comes to height, why stop at Europe? What about the highest building in the world? London has terrific architects, and Sir Norman has proved himself not just a brilliant architect but, with his colleagues, an uncompromising campaigner for quality.

Man has always wanted to soar into the sky. Even in the

1950s Frank Lloyd Wright believed that technology was available to build high. Today it is even easier. The near destruction of London's Baltic Exchange by terrorists means there is very little point in rebuilding it.

The site is not in a conservation area and is not affected by the limits that can be imposed to protect views of St Paul's. The Royal Fine Art Commission recommended that Trafalgar House hold a competition for the entire site, and has said it is not opposed in principle to a high building.

The developers feel that Sir Norman Foster is the right person to design such an important building. He has the experience of building the Commerzbank tower in Frankfurt – Europe's highest building at present. I ascended the

incomplete Commerzbank building the other day and was impressed not only by its height but by the scale and solidity of the structure, which is being erected on a tight site in Frankfurt's heart. A remarkable feature are the indoor gardens that spiral up the tower and link to the central atrium.

The Frankfurt tower is 565ft, the same as the Eiffel Tower. How would the "Baltic Tower" compare? It is planned at present to be 1,272ft high, whereas the tallest building in the world is Petronas Towers in Kuala Lumpur, Malaysia, at 1,476ft. The tallest building in London is the tower of Canary Wharf (800ft) while the Nat West Tower is 600ft.

What London needs to know is what impact a single giant tower on its eastern skyline might have. Its scale may be

dramatic – possibly out of proportion to almost everything else. The City has been slow in allowing upward growth of real quality. Skyscrapers look good in groups. I recall arguing for just such a policy years ago so that Docklands could have become a great green lung for London to the east with water parks and spacious housing.

Instead, the City seems prepared to allow an arbitrary pattern of growth while Docklands fosters unplanned and overbuilt developments that have no proper links to the rest of London.

One new tower will not be enough to transform London, but this particular design by Sir Norman Foster offers enormous potential. It proposes public space in front of Holland House, with a mixture of public uses like pubs, cafes and

B E I R U T I N T E R N A T I O N A L A I R P O R T B I D S

LAST CALL.

The Beirut International Airport (B.I.A.) is being rehabilitated and expanded, in line with the "Horizon 2000" plan launched by the Lebanese government, to accommodate an annual flow of about six million passengers, by the year 2000. The Investment Development Authority of Lebanon (IDAL) is pleased to invite interested parties to participate in the following process open for tender: BIA Car Parks, BIA Hotel and BIA Free Zone.

The bidder should demonstrate capabilities to efficiently execute the construction of the buildings and to operate and provide maintenance of the facilities in accordance with the required specifications.

* BIA Hotels located on 60,000 m² of prime land

opposite the main passenger terminal building. The Four Star Hotel will be of international standard with 250 rooms, such as lounges, a panoramic restaurant, bars, conferences and functions areas along with related facilities.

* BIA Car Parks located in front of the main passenger terminal building, with a capacity for 2,350 cars in two underground levels and an open-air parking.

* BIA Free Zone; located within the Airport parameter, it is designed to accommodate 150,000 m² of building units, intended for duty free activities. The Free Zone will have bonded storage areas, light industry, trading and services.

Bidders have the option to either make their offers

based on the premise that they will build, furnish and equip the facilities according to the required standards and specifications, then operate and transfer back to the government after a duration to be agreed upon (B.O.T); or have the government build and the operator furnish and equip the facilities up to the required standards, and then operate it for a period of 15 years from the date of site delivery (F.O.T).

The preliminary deadlines of bids submission are as follows: BIA Hotel 30/10/96, BIA Car Park 9/10/96, BIA Free Zone 3/10/96.

For further information, please contact the Marketing and Information Department at IDAL.

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FT Conference, London, 4 November 1996

Conference Theme

The unlimited financial liability of partners and their firms is undermining the viability of professional partnerships. The increased risk of litigation against all the professions and the rapidly spiralling size of the claims being made means that the future holds the prospect of prescriptive, rather than robust, professional advice becoming the norm.

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Limiting Professional Liability

London
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FT

FINANCIAL TIMES

مكتبة الأصل

OPENINGS

No important European festival has a more confused identity than Bregenz. Tucked into the Austrian corner of Lake Constance, it is best known for the open-air spectacle of its floating stage, where special effects take precedence over artistic fidelity. This is opera for the masses, and the masses duly respond – 6,000 every evening, many discovering opera for the first time.

But there is a more intimate and refined side to Bregenz; every summer an operatic rarity is treated to a slap-up production in the indoor Festspielhaus. In recent years, performances of Tchaikovsky's *Mazepa*, Zandonai's *Francesca da Rimini* and Rimsky-Korsakov's *Kitezh* have been little short of a revelation. This is opera for connoisseurs.

Which is the real Bregenz? The town itself mirrors the confusion. The centre is a mess of traffic and tourists – no more so than the area around the Festspielhaus, where champagne-sipping opera-goers share the early evening sun with crowds of sweaty holidaymakers. Barely 10 minutes away, Bregenz dissolves into a picturesque hinterland, with quiet country roads, vistas of woods and mountains, and unspoilt villages.

As a grubby lakeside resort, however, Bregenz can hardly sell itself as an upmarket festival. In spite of the quality of the indoor performances, its artistic trademark will always be the floating stage. That's what bankrolls the festival.

Within these parameters, Alfred Wagnmann, the festival director, has shown a lot of imagination. He has been beefing up the indoor programme: this year includes *The Taming of the Shrew* from Berlin, a concert by Roger Norrington's London Classical Players, and the premiere of a new chamber opera by Georg Friedrich Haas.

The outdoor opera is once again *Fidelio*. My impressions of it last summer were coloured by having to sit through the second act in a rain-storm. This year, aided by a glorious sunset, the impression was better – but still not enough to redeem the staging by David Pountney and Stefano Lazaridis. Their starting point is that we are all imprisoned by our own narrow horizons – blind to, or shirking off responsibility for, the horrors of the world around us. And so they present *Fidelio* as a mirror of ourselves: picnickers, joggers, dog-walkers, sunbathers, all oblivious to Pizarro's oppression. The "idyl" of daily life consists of Rocco's allotment and saloon car; a row of 1950s houses and a blue sky.

Looming behind is a high-rise block of cells, inhabited by psychologically tortured prisoners. Pizarro is a bureaucrat in an office tower, while those in his service passively or actively collude with him. The minister is an American politician accompanied by majorettes and a fireworks display.

The problem with this scenario is that it swamps and trivialises the opera's central message: the power of love to overcome tyranny. Surrounded by production business,

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COMMENT & ANALYSIS

Michael Prowse • America



Liberating schools

Bob Dole's voucher plan to help inner-city children afford a private education is Republican social policy at its best

Who says Mr Bob Dole, the Republican presidential candidate, lacks vision? In one of the most important fields of public policy he is already showing more courage and insight than President Bill Clinton. I am referring to education and Mr Dole's bold advocacy of a voucher programme that would allow many poor children to attend private schools.

Speaking recently in Milwaukee, Mr Dole likened his plan to the "GI Bill", a programme whose grants helped a generation of Americans (themselves included) afford a college education after the second world war. Significantly, grants under the GI Bill were not restricted to the public sector: veterans had the option of using the money in public or private universities.

As Mr Dole noted, wealthy families have always enjoyed a choice of schools. They can afford either to send their children to private schools or to move to neighbourhoods with good public (government-run) schools. His goal was to enfranchise low-income families whose children are trapped in the nation's worst public schools. The voucher campaign, he suggested, was nothing short of "a civil rights movement of the 1990s".

The argument should embarrass Democrats whose posture on school choice is hypocritical. President and Mrs Clinton, for example, send their daughter Chelsea to Sidwell Friends, one of the most exclusive private schools in Washington. Yet they (and numerous other politicians who choose private schools for their own children) vehemently oppose measures that would give comparable opportunities to poor families. Public funds, they argue, must be spent "improving" public schools even if these are not good enough for their own offspring.

Mr Dole cannot be faulted for demanding impractical changes. True to form he is proposing a modest pilot project that would cost only about \$5bn (£3.3bn) a year. Under his scheme, the federal government would offer matching grants to as many as 15 states to pay for "opportunity scholarships" for about 4m low- and middle-income children - about 10 per cent of the school population. The scholarships would be worth up to \$1,500 a year and could be put toward the cost of tuition at public, private or religious schools.

Sceptics may wonder if there is any evidence to suggest that children in inner-cities would benefit from such an initiative. Perhaps surprisingly, there is plenty, as Mr Sol Stern shows in "The Invisible Miracle of Catholic Schools", an article in the summer issue of *City Journal*, a magazine that delights in challenging conventional "liberal" wisdom. Mr Stern quotes numerous academic studies showing that children attending Catholic schools in New York City do far better academically than those who attend public schools. A 1990 Rand study, for example, found a 55 per cent graduation rate from Catholic schools against 25 per cent in the public sector.

The superior performance is not explained by money or student background. Per pupil expenditure in Catholic ele-

mentary schools in New York is about \$2,500 a year, or a third that in public schools. About 85 per cent of students in Catholic schools in Manhattan and the Bronx are now drawn from minority groups. Mr Stern argues persuasively that the disparity in performance mainly reflects fundamental differences in educational philosophy and values.

After watching teachers in action, he concludes that Catholic schools succeed because they expect more from their pupils, impose tighter discipline, concentrate on the basics and use traditional rather than "progressive" teaching methods. School principals have greater freedom in hiring and firing (for example, they can employ people without formal credentials) and can run their schools without interference from the suffocating bureaucracy that envelops the public school system.

By focusing on the needs of poor inner city children, advocates of vouchers may finally have found a winning argument. The powerful teachers' unions (which oppose any attempt to introduce real competition in US education) have defeated voucher plans in the past by claiming that they would cause educational

chaos and benefit wealthy children at the expense of the poor. For example, after heavy negative advertising financed by unions, Proposition 138 - an initiative that would have given all school children in California an opportunity to leave the public system - was voted down in 1988 by a 21 margin.

But it would be harder to defeat a Dole pilot project involving means-tested vouchers. They would not, by definition, provide any benefits for the affluent or affect the majority of pupils. They are targeted at deprived children that the public system is undeniably failing. Bereft of logical arguments, opponents are predictably claiming that schemes allowing vouchers to be used in religious schools would violate the principle of "separation of church and state" enshrined in the US Constitution. But recent Supreme Court decisions approving public financial assistance for pupils in parochial schools have undermined this objection.

Whether Mr Dole has the rhetorical skills to make much of his voucher proposal during the election campaign remains to be seen. But he has attacked the Democrats on a weak flank. There is growing recognition in the US, as elsewhere, that competition and choice are among the keys to improved performance of schools. This has certainly been the case in US higher education which is world-renowned largely because of the vitality of its private universities.

Yet Mr Clinton's efforts to encourage reform of the monopolistic public school system have been feeble, largely because he is politically dependent on the guardians of the status quo - the teachers' unions. Free of this constraint, Mr Dole can position himself on the side of progress.

*Published by the Manhattan Institute, 52 Vanderbilt Avenue, New York, NY 10017.



Bob Dole: likens his voucher plan to the 'GI Bill'

Developing countries face enormous jobs task

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Recognise intrinsic value of artistic heritage

From Mr Anthony Mayer

Sir, According to your July 21 leader "Saving art", you see little point for the UK to seek to hang on to its artistic heritage. Yet the intrinsic value of doing so is well recognised by the French, who expect strong state protection for the nation's patrimony culturelle. And if a good portion of the Louvre collections may have resulted from previous cultural plundering abroad, there is little Gallic inclination in justifying history and their market share by counter invoking the present (sale driven) scattering of French

impressionist paintings throughout the world. The country seeks both to promote French art abroad and protect a cultural sanctuary back home, by way, for example, of export prohibitions or the use of local content quotas for media programmes.

Ignoring that pride of place and art patrimony (more than the sum of the parts especially when accrued over centuries) may be the philistine attitude the FT's art column will often denounce, likewise William Packer ("Innovative Degas comes alive", June 12) deplores that major art exhibits touring the US or

the arts as public good, especially when also prone to this old English national self-deprecating bias. Not surprising then the current exhibit on Francis Bacon at the Beaubourg museum in Paris and one at the Jeu de Paume to focus on British sculpture this century, achievements which are often snubbed at home in favour of the familiar French or foreign favourites (as attested by shows in London on Picasso, Degas and Cézanne).

Anthony Mayer,
308 West 103rd Street,
New York, NY 10025, US

When motivation is a bonus

From Mr Richard Kewen

Sir, Lucy Kellaway seems to live in a very sheltered world. She thinks that publishing pay and bonus levels would be de-motivational and cause many problems ("Is performance-related pay worth it?", July 22).

Performance-related bonuses, in particular, should be scrapped.

What I find de-motivational are Lucy Kellaway's views. I've

worked for 20 years in a

leading financial services

company where individual earnings are displayed for all to see. This doesn't upset me or any of my colleagues.

What would cause problems would be the idea of laying a shroud of secrecy over how well each of us was doing or that exceptional performance should not be rewarded by the appropriate bonuses.

Richard Kewen,
14 Wraybury Park Drive,
Epsom,
Surrey KT19 7UU, UK

Bears will be in for a beating

From J. Gore Brown

Sir, Eric Elstob's letter (July 23) demands an immediate response. There is no inherent reason why the pound sterling should be a weak currency. Just as there were a great many perpetual bears in the gilt market during the period of high inflation in the 1970s and 1980s, there are still a great many perpetual bears of the pound sterling.

As the Bank of England governor has rightly pointed out, if the UK is to remain

outside EMU, it will be obligatory to maintain highly disciplined fiscal and budgetary policies. The basic outlook for the pound sterling is quite good and I expect the bears of the pound sterling could be beaten over the next five years and will be beaten if we remain outside EMU, the political engine of federalists.

J. Gore Brown,
Rutland Centre,
Halford Street,
Leicester LE1 1TQ, UK

Off the hook

From Mr Lars Narve Lørsen

Sir, I refer to Richard Donkin's article "Salmon on an à la carte menu" (July 21). Mr Donkin went out of his way to serve the salmon the right "little hooks dressed in feathers and hair", but to no avail.

Our local paper, Bergensavisen, reports that Mr Eric Clapton caught a 10.4 kg salmon in the River Laerdal last week. Could it be that Mr Donkin lacks the slow-hand required for salmon fishing?

Lars Narve Lørsen,
adviseur,
Dept of Research Management,
University of Bergen,
5020 Bergen, Norway

A clash of personalities

David Pilling on the aftermath of Carlos Menem's sacking of Argentina's economy minister

Argentina's political stage was always a cramped setting for two such strong-willed protagonists as Mr Domingo Cavallo, the economy minister who stayed hyperinflation and engineered sweeping free-market reforms, and Mr Carlos Menem, the president bent on reversing decades of national decline.

That Mr Menem suddenly sacked Mr Cavallo on Friday, ending months of bitter feuding, may ultimately be less surprising than that the two managed to work together for more than five years.

The sacking raises the question of whether Argentina's economic reform programme will crumble without its chief architect, or whether the edifice constructed by Mr Cavallo is strong enough to survive his own demise.

President Menem's choice of the ultra-orthodox Mr Roque Fernández as Mr Cavallo's successor could hardly have been a clearer signal to domestic and international markets that economic policy will not alter and that changeover need not be traumatic.

As central bank president since 1991, Mr Fernández understands fully the intellectual and practical foundations of Convertibility, the currency board system on which Argentina's economic restructuring and destruction of hyperinflation have been based. Since 1991, this has pegged the peso at parity with the dollar, and restored monetary value by banning the printing of local currency unless backed by foreign inflows.

Mr Menem was at pains to stress that his inability to continue sharing a cabinet with the bombastic Mr Cavallo was a question of personalities, not policies. "We will continue with the same model and the same philosophy," he said.

"I can absolutely assure you that there will be no type of change or surprises in terms of interest rates, which will tend to delay recovery further," said Mr Fernández.

Nevertheless, markets will today be braced for turbulence. "This could be a mini-run for the Tequila effect," says Mr Geoffrey Dennis, chief Latin American strategist at Bear Sterns, referring to Argentina's financial crisis last year following Mexico's confidence-boosting devaluation.

Markets have for months been preparing for the once unthinkable departure of Mr Cavallo. But Mr Dennis

believes the Merval index of blue-chip stocks, which fell 4 per cent on Friday in the minutes following the minister's sacking, could drop by a further 10 per cent.

Argentine Brady bonds and other paper may fall. There could also be a net withdrawal of bank deposits by nervous Argentines, says Mr Dennis, though not on the scale of the \$6bn (£5.1bn), or nearly 20 per cent of bank deposits, that fled after Mexico's devaluation. None of this will help Mr Fernández in his most pressing task, that of hauling the economy out of recession. "Withdrawal of money will obviously have an [upward] effect on interest rates, which will tend to delay recovery further," said Mr Dennis.

Mr Fernández inherits an economy that shrunk 4.4 per cent in 1995 and whose sluggish recovery this year is endangering fiscal targets agreed with the International Monetary Fund. Like Mr Cavallo, Mr Fernández will be faced with the unenviable task of trying to squeeze more tax revenue from a stagnant economy and forcing further spending cuts in the face of calls for emergency resources to kick start growth.

It was Mr Cavallo's apparent impotence in the face of recession that was the final nail in his coffin. Once considered indispensable as the engineer of rapid growth, then as the guarantor against financial collapse, by this year he was increasingly associated with stubborn recession and record unemployment.

Mr Cavallo's previous ability to bully parliament into passing legislation had also evaporated as congressmen rebelled against his badgering. "I was a spent force," Mr Cavallo said at the weekend. "When I said 'A' Congress said 'B'."

Mr Fernández, a Chicago-trained economist whose technical credentials are considered impeccable, will stand or fall according to his ability to manage these political forces. Much of Mr Cavallo's growing unpopularity was due to his refusal to adopt expansionary measures to tackle recession and unemployment.

Mr Fernández, who will be even less willing than his Harvard-educated predecessor to indulge in supply-side measures, will need to do a better job in winning legislative support.

The future will not depend on Roque Fernández and his technical abilities -

which are more than adequate - but on the support he gets from Congress," said Mr Cavallo.

The political muscle of Mr Fernández, however, has hardly been tested up by Mr Menem's admission that the central bank technocrat was only third choice for the post. (Two other orthodox economists turned down the job.) Nor will the new minister's task be made easier by the fact that nearly all Mr Cavallo's team has resigned with him, obliging Mr Fernández to piece together a new economic cabinet virtually from scratch.

Internationally, Mr Fernández is well known, and this weekend he received the endorsement of Mr Michel Camdessus, managing director of the IMF, an institution with which the new minister is a seasoned negotiator. In the coming months, he will probably need to use such contacts to cut a new deal with the Fund.

That may not be enough. Argentina will also have to tap international financial markets for fresh resources just when investors may be at their most nervous. There are concerns that Mr Fernández, who has a rather dour public image, may not be as good a salesmen as his forceful and flamboyant predecessor. "My doubts are about his abilities to sell Argentina to the world's capital markets. Cavallo was a master at this," says one foreign investor.

Just as concern over Mexico last year affected markets throughout Latin America, some analysts worry that nervousness over Argentina could have a similarly continent-wide effect. "There is a danger that investors will pull back a little from the region as a whole and that this will be seen as another hiccup in regional recovery," says Mr Dennis.

But as in all crises, there is also opportunity. "This could help Argentina because it will demonstrate that the economic model we have built over the past five years does not depend on individuals," says Mr Cavallo. "My going will demonstrate the strength of our political and economic institutions."

Mr Fernández, who today begins the task of filling the void left by Mr Cavallo's enormous personality, will be hoping more than anyone that Mr Cavallo's optimism proves well-founded.



Carlos Menem: "We will continue with the same philosophy"

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Monday July 29 1996

Saving the test ban treaty

The US government's energy will be absorbed this week by the bomb which has cast a dreadful shadow over the Olympic Games. But there is another issue that has a claim on its attention: ensuring a successful conclusion, or at least avoiding failure, at the Geneva talks on banning nuclear tests.

Even the optimists are measuring their words as negotiators gather today for a last-ditch effort to conclude a comprehensive test ban treaty. Since the talks broke up a month ago, a US concession has boosted hopes of a compromise one that will save the CTBT from oblivion, though still leaving it uncertain whether it will ever enter force.

But US pressure has failed to shift the stance of India, which refuses to sign the treaty except in the conceivable event of all five nuclear powers setting a timetable for total disarmament. If any accord is struck this week, it will be along the lines of the compromise put forward by Mr Jaap Ramaker, the Dutch chairman of the negotiations. His formula broadly meets the demands of Russia and China, which have insisted that the CTBT only enter force after its adoption by the five declared nuclear powers, plus the "threshold" states: Israel, India and Pakistan.

Slim chances

But in view of the slim chances of India ratifying, the compromise text includes an alternative route for saving the CTBT. If, after four years, it is not yet in force, those countries which have adopted it can call a fresh conference to consider ways of accelerating the ratification process. These words are vague enough to mean almost anything to anyone. But it is possible to interpret them optimistically: countries which have already stopped testing might use the follow-up conference to commit themselves to an open-ended ban – in the hope of shaming India into following suit. That would be better than a free-for-all return to testing, though it would be far from ideal.

The chairman's proposal was until recently opposed by the US

on grounds that the CTBT should not be left open to the risk of being thwarted by India. Washington felt there should be a clear procedure for the CTBT to enter force without India's assent. But Mr Warren Christopher, secretary of state, softened this stance when he met Mr Yevgeni Primakov, the Russian foreign minister, in Jakarta last week, and they agreed to work together in support of Mr Ramaker's compromise.

Rearguard action

The US has failed to secure its main aim – the adoption of a CTBT that binds the main nuclear powers, without fear of sabotage by India – in the teeth of stalling, on various grounds, from New Delhi, Moscow and Beijing.

Given the pressure that the US can bring to bear on almost any other UN member – by granting or withholding economic or military support – it is surprising that Washington should find itself at such a disadvantage. One explanation is that US negotiators put so much effort into securing detailed verification systems that they neglected the more basic problem of the CTBT's entry into force. But perhaps the setbacks suffered by Washington reflect something more than tactics.

India's obstinacy over nuclear testing is fuelled in part by its perception – also palpable in Moscow, Beijing and many other capitals – that Washington's cold war victory has made it too confident by half of its ability to set the agenda in international diplomacy.

Caught between an isolationist Congress, which wants an even tougher attitude to other countries, and resentful foreign partners, the US administration's freedom of action in international affairs may be narrowing. While its diplomatic muscle is unmatched, it is also finite, and US policy-makers face hard choices about where to lean most heavily. But in the light of President Bill Clinton's repeated claim to have made the world safer for Americans, the test ban treaty is not an issue he can afford to neglect, even in the wake of the Atlanta tragedy.

The Mackay revolution

Lord Woolf's proposals for reform of the civil courts in England and Wales have been widely welcomed, deservedly so. The Master of the Rolls' final report, "Access to Justice", is designed to initiate a cultural revolution, led from the Bench. It requires practitioners within the system to accept radical changes. It asks more of them than that. To maintain their present level of earnings they will be obliged to work more swiftly, making up in greater throughput for a planned reduction in earnings per case.

There can be no guarantee of success. The Woolf approach may depend upon a greater willingness to co-operate within new rules than the legal profession is temperamentally able to deliver. Solicitors and barristers are to be brought under the management and control of the judges. That may require a willingness on the part of the Treasury to sanction higher spending. The proposition that the reforms will be self-financing is not convincing, in spite of the prospect of using private finance to introduce information technology to the courts.

The effort to implement Woolf must, however, be made. The existing machinery of Britain's civil courts is notoriously slow, expensive and complicated. Over the past century many reforms have been suggested, few carried out. Even since 1973 the legal business has remained largely untouched while some other professions have been obliged to mend their ways.

Stark depiction

Lord Woolf's depiction of the present system is stark. It "provides higher benefits to lawyers than to their clients", he notes. In claims worth less than £12,500 costs routinely exceed the disputed amount. Only suits involving £50,000 or more are likely to be financially worthwhile. The rich and powerful are thus favoured, but even large companies complain of the relative expense of British courts.

The Master of the Rolls puts forward some 300 proposals designed to rectify matters. In essence, he seeks a simplified mechanism, more comprehensible to clients, in which cases will be "managed". The small claims jurisdiction will

be extended. A "fast track" procedure, with tight timetabling and fixed charges, will govern medium-level claims. At the higher level, timetables will be set and managed by the judge.

Case management

Case management, either by written protocol or directive from the bench, lies at the heart of these reforms. There are some precedents. The Commercial Court manages big cases, such as those involving Lloyd's, County Court in central London, Truro and Wandsworth have adopted larger hearings. Lord Woolf also cites Scotland, the US, Canada and New Zealand as recent exemplars.

He has made his argument. The question is, to what authority? His report was not addressed to the government or parliament, but to the Lord Chancellor, who sits atop the legal system. Lord Mackay of Clashfern says he intends to seek legislation to create a single rule committee to simplify civil court procedures, as proposed by Lord Woolf. He can implement those of the other 299 recommendations that do not require Treasury money on his own authority. He has already begun to do so.

That leaves finance. If Lord Mackay is to widen access to civil justice, as is his stated purpose, he should attempt to persuade the Cabinet that a wholly Treasury-driven system of legal aid is not consistent with the thrust of his other reforms. The purpose of his attempt to gain control of expenditure on public assistance to litigants is sound. The effect might be to deter the poorest prospective suitors from coming to court, even if costs all round are lowered once the Woolf reforms are in place.

This could mar a reputation that improves on inspection. As a politician Lord Mackay has not always been blessed. He took his knocks over his recent bill to reform the divorce law. His jousts with his own profession may bring him greater credit. Against strong opposition, he provided for self-employed solicitors to appear before the courts in roles previously reserved for barristers. WTO ambassadors, notoriously secretive, could prove more difficult.

But earlier this month, in an encouraging omen, they agreed to hand out most WTO documents to the public. He initiated the Woolf inquiry and appointed its head. The revolution now in prospect is Mackay's.

Perhaps the hardest part of

the Woolf reforms is to

COMMENT & ANALYSIS

Lifeblood from transplants

A revolution in British manufacturing has been heavily influenced by Japanese groups such as Nissan, says Stefan Wagstyl

When Japan's Nissan Motor began making cars in the UK 10 years ago this month, its engineers could scarcely have imagined their influence would reach such small corners of British industry as Lisa McDonnell and Marie Leadbitter's workplace.

Yet any Nissan staff visiting the Frederick Woolley car parts company, in Hockley, Birmingham, would immediately feel at home in the two women's castings shop. "Our target is zero defects," says a Japanese-style sign on the wall. "512 days without a break in supply," says another. Below sits an immaculately clean milling machine, complete with a special sleeve the two machinists designed to prevent aluminium filings falling into the works.

Ms McDonnell and Ms Leadbitter organised themselves as a Japanese-style manufacturing cell after hearing a talk by Woolley managers who visited Nissan and other Japanese carmakers. Ms McDonnell says: "When they told us what it was like, we said 'We can do that'." The two women's enthusiasm speaks volumes for the revolution in British manufacturing in the past decade which has been heavily influenced by the arrival of Japanese companies such as Nissan. As Mr George Simpson, chief executive of Lucas Industries, the motor and aircraft parts group, puts it: "Nissan was the catalyst."

Productivity in UK manufacturing has soared with output per person rising 43 per cent in the 10 years to 1995, as out-dated management and work practices have been swept away. Britain still lags behind its competitors in manufacturing productivity, but the gap has closed. According to the government's recent competitiveness white paper, Germany's lead has fallen from 51 per cent in 1973 to 14 per cent in 1984 and the US's from 56 per cent to 38 per cent.

Mr Nicholas Crafts, professor of economic history at the London School of Economics, says no other waves of foreign investment have made as much impression on British industry. "The Japanese are different because they came in large numbers at a time when the British system was in turmoil."

There are three main elements in the improved techniques introduced into British manufacturing in the past 10 years, none uniquely Japanese:

• A commitment to *kaizen*, or continuous improvement.

• Co-operative relationships between workers, managers and suppliers.

• A big emphasis on measuring all aspects of business, from serious faults to misplaced labels, to identify precisely what needs improvement.

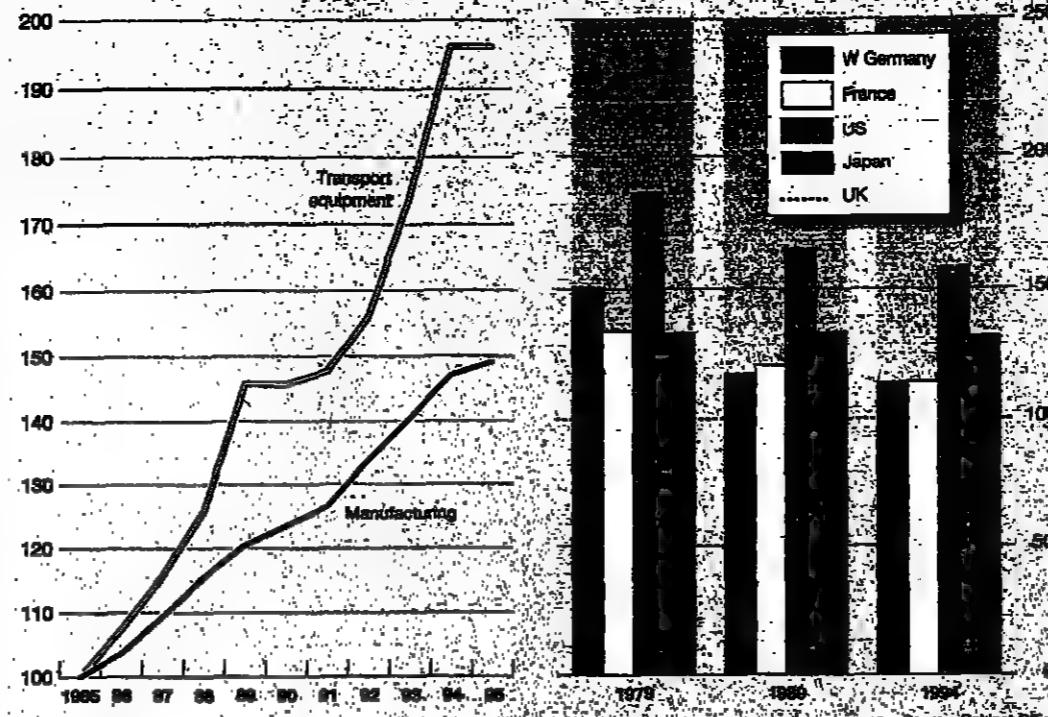
Before the arrival of the Japanese, British managers knew these elements mattered in good manufacturing. They just did not believe they could be pursued aggressively in the UK with its hide-bound industrial relations system.

Nissan, followed by Toyota Motor and Honda Motor, which have also set up UK plants, showed it could be done. As Mr Terry Belton, operations manager of Ford Motor's Dagenham plant, says: "It was only when the Japanese transplants came here and achieved the same as they did in Japan that we realised we had to sort ourselves out."

British workers have proved much better than the Japanese expected in applying the improvement techniques. And it has been British managers, not Japanese,

Productivity: the Nissan effect

Productivity (output per head) 1985=100



Source: CBI/CIO

Bar chart showing Productivity (output per head) in 1995 for W Germany, France, US, Japan, and UK. The Y-axis ranges from 0 to 250.

Country	Productivity (output per head) 1995
W Germany	200
France	180
US	200
Japan	200
UK	100

Source: CBI/CIO



Lisa McDonnell and Marie Leadbitter

who have played the central role in the process – even at Nissan UK.

Indeed, the changes have been made without cutting out the unions – they have remained in place in almost all existing plants. It is attitudes, not people, which have changed. "Japanese companies have shown you can take a British workforce in Britain and stay competitive," says Mr Tim Eggar, the former industry minister.

It was not easy. Managers in the autodriveline division of GKN, the engineering group, which makes transmission components in Birmingham, recall that they thought Nissan's quality standards were impossible to meet when they first heard about them. But after 10 years of effort, GKN has kept its place as a leading supplier. "To be quite frank we dragged industry into the 20th century," says Mr Ian Gibson, managing director of Nissan UK. "They bitched like hell at the time. Now they can see what a good thing it was."

But while big British companies increasingly compare well on productivity, Britain has a long tail of

underperforming smaller companies, according to the competitive白皮书.

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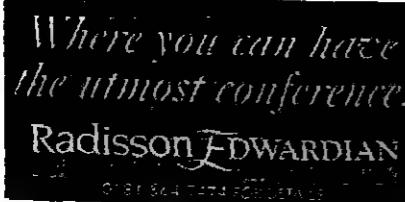
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FINANCIAL TIMES

Monday July 29 1996

"The key to success
is your passion."
RAILCO FINANCIAL MEMBER OF EQUITY

Limited benefits for employment and trade

Emu would offer 'only modest gains' to Ireland

By John Murray Brown in Dublin

Ireland's participation in European economic and monetary union would produce only modest gains in output, employment and trade even if the UK, Ireland's main trading partner, joins as well, according to a report for Dublin's ministry of finance.

The Economic and Social Research Institute envisages a net gain of 10,000 jobs if Ireland joins and the UK stays out.

Ireland is one of three economies in the European Union which currently qualify for Emu under the Maastricht criteria on debt, budget deficits and inflation.

The economy will benefit from lower interest rates, increased international investment in Ireland, as well as "an intangible confidence factor".

But any move to join a single currency will hit both the financial services sector and manufacturing companies in relatively

open domestic markets and dependent on exports to the UK.

"Ignoring unquantifiable effects, joining with the UK should lift gross national product by about 1.4 per cent of GNP on average, and entail an additional 20,000 jobs," the report says.

It also warns that Emu membership will have a long-term impact on the future development and training of strategic management class within the Irish financial services sector."

The findings are hardly a ringing endorsement of the government's pursuit of early membership of Emu.

Mr Ruairí Quinn, the Irish finance minister, says that the report will help stimulate public debate.

By highlighting the competitive challenge represented by Emu, the government is hoping to encourage moderation from the unions ahead of the next three-year pay round under the Programme for Competitiveness and Work, which must be agreed by mid-1997.

The financial services sector will suffer through one-off con-

version costs and the loss of foreign exchange business as Ireland adopts the euro currency.

The report says such a move would imperil as much as 7 per cent of the sector's workforce, or between 2,000 and 4,000 jobs.

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The financial services sector will suffer through one-off con-

Belgrade hires UK PR group to advise on image

By Bruce Clark, Diplomatic Correspondent, in London

The Serb-led state of Yugoslavia, until recently an international pariah, has hired Lowe Bell Financial, founded by the British Conservative party's advertising strategist Sir Tim Bell, to improve its image.

Lowe Bell and NatWest Markets, the investment bankers, acted as advisers to a senior Yugoslav delegation which met leading credit rating agencies in London last week in the hope of regaining access to the financial markets.

Sir Tim, a close adviser to Lady Thatcher during her successful election campaigns, has also provided public relations advice for clients ranging from Mr Boris Yeltsin, the Russian president, to the British meat and livestock commission.

But the rehabilitation of rump Yugoslavia, which was subject to stringent international sanctions until last year's Dayton peace agreement, will be a particularly challenging assignment.

Under the guidance of its UK advisers, the Belgrade delegation signalled a somewhat softer line in separate rows over the liabilities and assets of the communist Yugoslav state.

A three-day meeting with the London Club of commercial bank creditors, aimed at reaching an agreement on Yugoslav debt, was described as "constructive and friendly" by the head of the delegation, Mr Vuk Ognjenovic.

Belgrade started legal action in the London High Court earlier this year in an effort to prevent the London Club from making a separate financial settlement with the former Yugoslav republic of Slovenia.

But in a hint that it was pulling back from litigation, the delegation which conducted last week's talks did not include Mr Richard Levy, the lawyer who has been acting for Belgrade in the London courts.

In another sign of a softer attitude, NatWest Markets is understood to have written a conciliatory letter to the Bank of International Settlements, saying that Belgrade was willing to discuss with the BIS the division of the communist state's assets.

Why is the French government insistent on privatising Thomson Multimedia as a package with Thomson-CSF? The companies – one a consumer electronics business, the other a defence group – have virtually nothing in common. And each has different suitors: Korea's Daewoo is interested in Multimedia; Alcatel, Alsthom, Lagardère and Britain's GEC want a deal with Thomson-CSF. If the government wanted to maximise its sale proceeds, it should take two separate auctions. So why isn't it?

The conventional answer is that Multimedia would be difficult to sell because it loses money and is weighed down with FF14bn of net debt. But is this the whole story? The Koreans would presumably still be interested if enough of Multimedia's debt was wiped out. Cash raised from selling Thomson-CSF could be used for the purpose. The snag is that such a manoeuvre would immediately expose the French government to the charge that it was subsidising Multimedia. For example Philips, which is having to slash 6,000 jobs in its consumer electronics business, might argue it was facing unfair competition. Surely, Thomson should have to cut its losses-making European operations too instead of receiving a huge dollop of aid?

Privatising Multimedia and Thomson-CSF as a package may disguise the aid and stop the European Commission's competition authorities asking awkward questions. But it will not change the fact that the former is being subsidised.

P&O

That something needs to change at the London Club of commercial bank creditors, aimed at reaching an agreement on Yugoslav debt, was described as "constructive and friendly" by the head of the delegation, Mr Vuk Ognjenovic.

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THE LEX COLUMN

Thomson tactics



pressure to make Lord Sterling deliver. Nonetheless, they cannot simply take this on trust. The danger – that they may just get constant promises of jam tomorrow – is too great. So they must keep up the pressure. True, a successful container deal could take time, and shareholders do not want P&O to end up a forced seller. But they cannot just sit on their hands for the leisurely 18-24 month restructuring timetable big shareholders mostly envisage. Visible signs of progress are needed well before then.

One obvious way for shareholders to protect their interests would be to demand further changes to P&O's board, which has always looked long on Lord Sterling's friends and short on heavyweight independent voices. Two recent non-executive appointments have helped. But shareholders should press for more.

Fiat

Signs are emerging that internal politics at Fiat – always a subject of avid speculation – could be about to take another twist. Officially, everything is calm. But some members of the Agnelli family, which owns 33 per cent of the group, have privately voiced concerns about the powerful role occupied by Mr Cesare Romiti, Fiat's new chairman and not a family member.

According to one theory, the Agnelli family would like to wrest back greater control of Fiat from Mr Romiti and Mediobanca, the Milanese investment bank which backs him. As a result of a shareholder syndicate put in place when Fiat needed a huge capital infusion three years ago, Mediobanca and its allies are able to veto the family on decisions since owning relatively small stakes. Hardly surprisingly, some family members think the syndicate should be abolished. There has also been speculation that the family is grooming Mr Paolo Fresco, vice-chairman of General Electric of the US and a non-executive director of Fiat, to replace Mr Romiti when he retires in two years.

How does all this affect outside shareholders? It rather depends on what the Agnelli family would do if it gained greater control of Fiat. While loosening Mediobanca's power might have some theoretical appeal, turning Fiat into a family fiefdom would not. For investors, it is too early to say which – the family plus Mr Fresco or Mediobanca plus Mr Romiti – would best achieve what really matters: accelerating Fiat's transformation from a relatively diversified Italian-based group into a more focused international company.

Indonesia sends in troops to suppress political violence

By Greg Hart in Jakarta

Hundreds of Indonesian troops were deployed by the government yesterday following the worst political violence in Jakarta, the capital, for 20 years.

The use of troops and some police armed with automatic weapons was a sharp escalation of the government's response to rioting on Saturday, which caused tens of millions of dollars in damage.

The country's president, Mr Suharto, yesterday called for national unity in a speech to mark a Muslim religious holiday, but he did not specifically refer to the riots. "Only with unity and high discipline can we develop a future together," he said.

Indonesian stock and currency markets declined late last week, partly as a result of fresh rumours about Mr Suharto's health. The markets will face a further test today as investors reassess what has been one of the

developing world's favoured locations for investment.

Buildings containing eight Indonesian-owned banks were stoned or burned in Saturday's riots, along with several other business premises in a Jakarta secondary commercial district.

More than 300 people had been arrested by last night. The military confirmed two deaths, although there were reports of a higher death toll.

General Feisal Tanjung, the armed forces commander, said the situation was under control but he threatened to continue to crack down on what he described as political extremists behind the violence.

The violence began after police stormed the central Jakarta office of the country's main opposition political party, the Indonesia Democracy Party (PDI) early on Saturday.

Last month, the government engineered the ousting of the popular PDI leader, Ms Megawati

Subarmoputra, triggering a sit-in by her supporters that challenged the government's authority.

Police officers, most equipped with riot shields and batons, lost control of crowds protesting against the office takeover and were forced to wait for army reinforcements with armoured personnel carriers as the attacks on property began.

Ms Megawati called for calm at the weekend. She showed no sign of confronting Mr Suharto, who has ruled for three decades after seizing power from her father, Mr Suharto. She said: "I would like to continue as normal but now the thing is out of control. I am very, very sad about what has happened."

One significant clash occurred yesterday, in which police arrested about 20 demonstrating youths, beating and kicking them in front of foreign journalists.

Indonesia restless under Suharto's tight rein, Page 3

Atlanta bomb

Continued from Page 1

Investigators have failed to resolve the mystery surrounding the explosion on July 17 of TWA flight 800 which killed all 230 people on board.

The weekend brought no conclusive evidence of what caused that crash, but investigators are exploring whether an explosive device may have been in the cockpit or forward section of the aircraft.

Swissair gambles on inflight casinos

Continued from Page 1

before it will commit itself. Swissair's system will be installed on 18 McDonnell Douglas MD-11 jets and its five Boeing 747s at the rate of two aircraft a month.

Swissair's order is a coup for Interactive Flight Technologies, a 24-year-old US company which floated its shares on the US Nasdaq market in March 1995 at \$5.

IFT is capitalised at around \$130m. Mr Michael Iltis, the 32-year-old founder, said his philosophy was "not to operate a casino, but to provide passengers with the best inflight entertainment".

Swissair's passengers also will be offered up to 60 different movies via a digital video-on-demand system and over 600 music titles.

Swissair is not investing any of its own money – only its reputation – in the project. IFT will recoup its investment from the gambling revenues and will open

the system under a management contract. It will also receive a portion of other revenues for managing the system.

Swissair carries over 8m passengers a year on long-haul flights. If a third gamble and lose \$100 each than IFT believes it can recoup its investment within 18 months.

IFT, which lost \$4.2m in the six months to the end of April 1995, does not expect to make a profit until 1996.

Europe today

Most of the continent will be warm but thunder showers will occur along a weak front from Moscow through Prague. The southern Alps will have thunderstorms in the afternoon. A depression over England will start to bring more changeable and cooler conditions to western parts of the continent. Northern France and the Low Countries will have thunder showers in the afternoon and northern Spain will have some rain. Northern Scandinavia will be cool and wet but the south will be mainly fair. Abundant sun, with afternoon temperatures as high as 36C, is expected from southern Spain to Bulgaria.

Five-day forecast

Thunder showers will cross the Alps and northern Italy tomorrow. Later this week, southern Italy and the Balkans will have thunder showers. North-western Europe will become windy with showers but France will become dry and sunny again. Most of Spain and Greece will continue hot and sunny. Northern Europe will have periods of rain and will be rather chilly.

TODAY'S TEMPERATURES

Location	Max temp (°C)	Min temp (°C)	Condition
Beijing	33	23	Cloudy
Paris	22	18	Sunny
Bogota	25	18	Rain
London	23	18	Sunny
Amsterdam	23	18	Sunny
Athens	32	23	Sunny
Barcelona	31	23	Sunny
Bangkok	32	23	Sunny
Brisbane	27	20	Sunny
Buenos Aires	22	18	Sunny
Cape Town	27	18	Sunny
Dubai	40	32	Sunny
Edinburgh	11	10	Rain
Frankfurt	22	18	Sunny
Glasgow	27	21	Sunny
Hamburg	22	18	Sunny
Helsinki	21	18	Sunny
Hong Kong	29	25	Sunny
Istanbul	27	22	Sunny
Jakarta	27	22	Sunny
Jersey	28	22	Sunny
Karachi	32	22	Sunny
Kuwait	35	25	Sunny
Lima	25	18	Sunny
London	23	18	Sunny
Los Angeles	27	22	Sunny
Luanda	26	21	Sunny
Luxembourg	24	18	Sunny
Lyon	26	21	Sunny
Madrid	27	22	Sunny
Milan	25	20	Sunny
Moscow	28	22	Sunny
Nicaragua	25	20	Sunny
New York	27	22	Sunny
Paris	26	21	Sunny
Perth	28	23	Sunny
Prague	23	18	Rain
Rome	28	22	Sunny
Stockholm	25	20	Sunny
Taipei	25	20	Sunny
Tokyo	23	18	Sunny
Toronto	24	19	Sunny
Tunis	28	22	Sunny
Turkey	27	22	Sunny
Vancouver	24	19	Sunny
Vienna	25	20	Sunny
Washington	24	19	Sunny
Zurich	25	20	Rain

No global airline has a younger fleet.

Lufthansa

FT WEATHER GUIDE

Station at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

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FINANCIAL TIMES

COMPANIES & MARKETS

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Monday July 29 1996

SBC Warburg loses seven top clients

By Nicholas Denton

SBC Warburg, the investment bank created when Swiss Bank Corporation acquired SG Warburg last year, has lost nearly a third of its largest UK corporate finance clients since the take-over.

An FT analysis shows that 34 companies in the FTSE-100 index which were listed last year as SG Warburg clients, seven have dropped it as adviser. Five of them have not publicly disclosed the change.

BOC Group, the industrial gases producer, has in the last month switched to J.P. Morgan, with Schroders advising on transactions in Asia.

BOC said: "We wanted somebody who could give us a bit more global coverage."

Burton Group, the clothing retailer, has hired BEW and worked with the Barclays Bank division on its recent acquisition of Innovations.

Boots Company, the chemist, used CS First Boston on a disposal and the company is also in contact with Kleinwort Benson.

Courtaulds, the textile manufacturer, said it dropped SBC Warburg about two months ago after the account directors assigned to it left the bank. It has named J.P. Morgan as adviser.

Enterprise Oil, which is close to Mr Bill Harrison, the new chief executive of BEW, said SBC Warburg was no longer regarded as its lead bank.

In an announcement earlier this month, Legal & General, the life assurance company, said it was appointing Schroders and J.P. Morgan as advisers.

The seventh FTSE-100 switch from SBC Warburg was marked by Southern Electric's use of BEW in its bid for Southwest Water.

Clients have abandoned SBC Warburg largely because of the departure of the Warburg corporate financiers they knew. Of 136 executives of director level and above in the merchant banking division, at least 35 have resigned or been dismissed since the takeover by SBC.

The erosion of Warburg's UK client base - the largest in the City - compares with the reverses suffered by Schroders, Morgan Grenfell and Kleinwort Benson in the 1980s and early 1990s.

SBC Warburg remains firmly in place at eight FTSE-100 companies - Allied Domex, BAT, PowerGen, Sainsbury, Siebe, Smith Industries, Tate & Lyle, Unilever and Zeneca - SBC Warburg remains on the panel of regular advisers while fighting to maintain its position.

However, it appears the worst of the client losses are over; SBC Warburg has had no recent notifications from its clients that its role is being re-examined. SBC Warburg is also understood to have won a large mandate from a company with which it has no listed relationship. Shaking up the corporate list. Page 18

Rome to seek buyers for Banco di Napoli

By Andrew Hill
in Milan

The Italian Treasury is to seek buyers for Banco di Napoli, one of the country's largest banks, by the year's end, to counter potential European Commission objections to its plan for a £2,000m (\$1.3bn) cash injection.

The Treasury now controls the Neapolitan bank, which lost a record L3.155bn last year. It will vote at tomorrow's shareholder meeting for a £2,288m capital increase to cover the losses and give it direct ownership.

On Friday, the government

of almost all the shares. Under pressure from Brussels' competition authorities, the government has dropped its original plan to invite participation from other banks now and launch the full privatisation process at the end of next year.

With the end-July deadline approaching, and the Commission hinting at a full-scale state aid inquiry, no bank had come forward with a firm pledge to convert loans into equity.

On Friday, the government

approved a new decree which will give off £10,000m of the

bank's riskiest loans - about a fifth of the total loan portfolio - into a separate company which will be liquidated. The Treasury will then try to sell all or part of its stake by January.

Mr Carlo Angelio Campi, the Treasury minister, believes the new plan will make Banco di Napoli more attractive to investors, which would otherwise have worried about the continued provisions for bad loans.

"Free of these [frisky] loans, the bank... will return to normality. Hence the decision to bring forward privatisation.

We think that restructured like this, the institution can interest other banks, with the whole process in line with European Union rules," said Mr Campi.

The new plan is similar to that adopted by the French government for the relaunch of Crédit Lyonnais and approved by the Commission a year ago.

Analysts have expressed doubt about the chances of a rapid and successful privatisation, given Banco di Napoli's track record and its long-standing reputation as a political rather than a financial

powerbase in the poor south of Italy.

Italian members of parliament have divided along geographical lines in the last fortnight over whether to pump more money into the bank, with the separatist Northern League arguing against National and the right-wing National Alliance, which is strong in the south, in favour.

In fact, Mr Federico Pepe, brought in as chief executive last summer, has already achieved some progress with a restructuring plan, including a recent agreement for a

reduction in labour costs, and the sale of the bank's northern Italian branch network.

In recent weeks, reports suggested that Banco Ambrosiano Veneto, one of the biggest private sector banks, was a front runner to participate in the rescue of the Naples bank, along with Treasury-controlled banks such as Mediocredito Centrale and Banca Nazionale del Lavoro.

They and their competitors will now have at least until autumn to decide whether to invest.

LEGAL DEFINITIONS

paralegal n. 1 one who provides advice at great height (usu. 20,000 feet) 2 wordy legal document with many indented lines 3 a person trained in subsidiary legal matters.

see ROWE & MAW: asap (ph 0171-243 4262)

Rowe & Maw
LAWYERS FOR BUSINESS

INSIDE

Berlusconi's heir apparent

Mr Silvio Berlusconi's eldest daughter Marica, 29, was yesterday confirmed as heir apparent to the former Italian premier's media, finance, property and retail empire when she was named deputy chairman of Fininvest, the private family holding company. Ms Berlusconi was already on the Fininvest board.

Page 19

Credit Foncier

Trading will resume today in the shares of Credit Foncier et Frères, the troubled property lender, as investors, employees and executives pull over the salvage package announced last Friday. The Caisse des Dépôts et Consignations, the state-controlled financial institution, will in the next few weeks launch a French bid for Credit Foncier at FF70 a share.

Page 19

Guardian Royal Exchange

Guardian Royal Exchange, the UK composite insurer, is to launch a new low-cost motor insurer in Germany. Called Die Alternative Versicherungs-Aktiengesellschaft, it will be a wholly-owned subsidiary of Allianz Versicherungs-Aktiengesellschaft, which is 99 per cent owned by GRE. Die Alternative will offer basic, low-cost motor insurance to customers who do not require extra benefits such as towing services or extra cover on their motor policies.

Page 16

Fund Management

Wall Street may be having its problems but they do not seem to have dented the bull market for US money management firms. Morgan Stanley's \$1.1bn acquisition of the Van Kampen mutual fund business and Franklin Resources' \$600m purchase of Heine Securities have captured the headlines. But these mega-deals have been matched by a spate of smaller moves.

Page 20

The UK bank, slipping into deficit, is gaining some plaudits for cost-cutting and its disposals

Investors begin to listen to NatWest's alternative message

sing a more robust approach to cost cutting.

Although its number of staff and UK branches have fallen steadily in recent years, it still has some of the legacy of a bloated network reaching back to the merger of the National Provincial and Westminster banks in 1970.

NatWest also has the unwelcome reputation of being the most bureaucratic and slow-moving of any of the Big Four banks. While Lord Alexander, its chairman, and Mr Wanless have attempted to reform its culture and structure, it has been an enormous task. Mr Taylor had the advantage at Barclays of inheriting a bank that had been better managed over a longer period.

They are now gaining some plaudits among an investment community that formerly looked on them with suspicion. Apart from NatWest's cost-cutting strategy, which one analyst estimates could add 240m a year to underlying profits, they have disposed of NatWest Bancorp, which few analysts could see any point in the bank owing in the long term.

"Having been one of the sector's laggards, there are signs of a new-found commitment there," says Mr Peter Toosan, an analyst at ABN Amro House.

There are signs in its share price that it is getting through, particularly since it pleased analysts last autumn by disclo-

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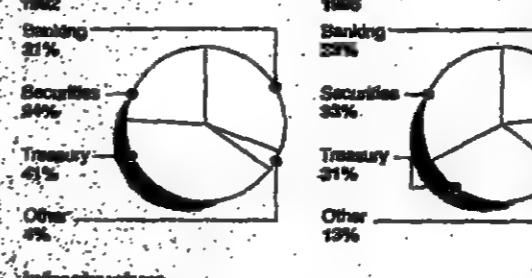
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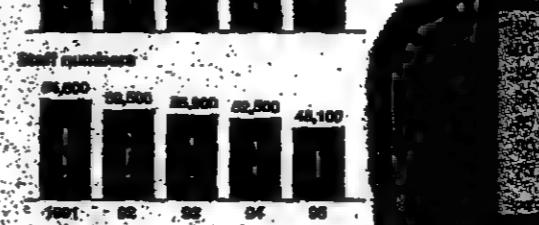
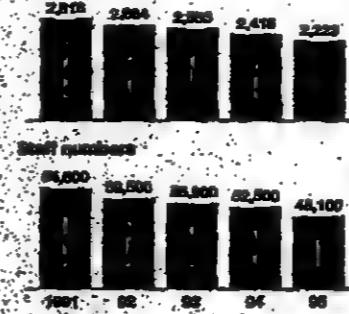
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Getting into shape

Income by market



Infrastructure



out costs or improving returns by finding synergies will NatWest be able to make them pass muster.

The bank is fairly confident about Garmore, since it has been able to eliminate overlap with its own, loss-making investment management arm.

To make sense of Greenwich, it will require a more difficult process of integrating the US firm's expertise to transform its own fixed income division, rather as SBC used its own 1991 purchase of O'Connor, the Chicago derivatives firm.

Secondly, NatWest must prove that it has not swapped a relatively predictable income stream in retail banking for a more volatile one in capital

markets. The bank argues that it has steadily improved NatWest Markets by diversifying its sources of income.

However, some in the City fear that by swapping Sankcorp for Greenwich, it has increased its overall volatility of earnings.

Tomorrow's declaration of a post-tax loss may, therefore, merely be an accounting oddity, but is a symbol of the transformation of NatWest.

The bank's directors are happier with the shape of the operations they control than at any time in the 1990s. The harder part is to persuade everybody else to share their view.

John Gapper

Bass and Carlsberg merger delayed

By Rodrick Oram, Consumer Industries Editor

A merger of the UK brewing interests of Bass and Carlsberg, the Danish brewer, is being delayed by complex measures designed to avoid a reference to the Monopolies and Mergers Commission, the UK regulatory body.

The sale of Allied Domecq's half share of Carlsberg-Tetley for about £200m (\$310m), may form part of a wider deal still being studied by the companies' advisers.

Unless Bass and Carlsberg can find a way to minimise Bass's market share, Bass will have to shed brands and pubs to satisfy the UK's Office of Fair Trading and to avoid an MMC inquiry. Such is the complexity of the interlinking agreements between the three companies, an announcement could slip beyond this week's

target date. "We never seen so many pieces of paper," one participant said.

The simple solution of Bass buying all of Carlsberg-Tetley would give Bass about 38 per cent of the UK market and trigger protracted competition investigations and negotiations with the government, a leading analyst said. Using the Scottish & Newcastle/Courage deal as a benchmark it would have to shed more than 1,000 pubs - approaching one-fifth of its estate - if the merger gave it a market share approaching 40 per cent.

The other key element of the deal is Allied's agreement to buy from Carlsberg-Tetley. The agreement which expires at the end of next year generates a large chunk of the joint venture's profits because Allied pays above market price for the beer. Allied could help solve the problem by taking a

leaf from Grand Metropolitan's book. GrandMet took a balance sheet write-down on its agreement to pay above market price for Courage when Courage bought GrandMet's breweries.

For Allied, writing-down its Carlsberg-Tetley stake, on its books at £200m, and the supply agreement, could take a £200m chunk out of its balance sheet but ultimately improve its earnings.

Bass decided last year against making an offer for fellow brewer Courage. The seller, Foster's Brewing Group of Australia, was demanding a bid unconditional on regulatory approval. But after long negotiations Bass judged as too great the financial risk of owning assets it might have to sell, according to a participant in the negotiations. Scottish & Newcastle subsequently bought Courage to deprive

Carlsberg and Bass have agreed to accept almost all the regulatory risk in a deal which will value Allied Domecq's stake at about £200m, according to one of the parties.

When you have supply [of cash from mat

COMPANIES AND FINANCE

Nicholas Denton finds the bank was weaker, and is now stronger, than it appears

SBC Warburg shakes up its corporate list

When Swiss Bank Corporation acquired SBC Warburg last year, Sir David Scholey, chairman of the UK investment bank, said the two fitted together "like the clunk of a Rolls-Royce door". But the groups have been slammed together too forcefully for some of Warburg's delicate corporate finance clients.

Nearly a third of its FT-SE 100 clients have been shaken loose, an analysis has shown. In addition, it emerges that EICC, Electrocomponents, Ellis & Everard, London International Group, Mercury Asset Management and Moss Bros have formally or informally dropped Warburg.

Already on the public record are defections by Laporte, Northern Electric, Sedgwick Group and Western Water. In one of the most damaging changes, Halifax Building Society said it would use Deutsche Morgan Grenfell to lead its huge flotation next year.

But the apparent erosion of Warburg's corporate finance client list - the longest and strongest in the City, and the main attraction for SBC - may not be as severe as it looks on the surface.

The most serious sign of damage to the underlying business is the number of departures among SBC Warburg's corporate financiers, who handle client contacts. The bank retains one of the deepest teams in the City, made up of respected professionals such as Ken Costa, Robin Lubbenberg, Steven Latner and Robert Gillegie.

However, in the merger, it lost the most senior layer of management - Sir David Scholey, Lord Cairns, the former chief executive, and Derek Higgs, chairman of the merchant banking division - and their array of personal contacts. These departures were inevitable, but SBC Warburg also lost younger dealmakers

in day-to-day contact with important clients such as Mark Seligman, Michael Yates, Mark Nichols, head of corporate finance, left for health reasons.

"Warburgs has been turned upside down," says the head of corporate finance at another house.

Some defectors from Warburg - who may have an axe to grind - say that the new corporate finance style of the house has put some clients off.

They say the management has introduced revenue targets and strongly encouraged executives to sell products from other parts of the group, such as financing.

Whatever the truth, even the perception that SBC Warburg has put a new emphasis on boosting profits, has encouraged some competitors which are not part of integrated investment banks to market the purity of their advice.

Schroders is the prime beneficiary of Warburg client defections.

However, defenders of Warburg say the position is better than it appears. Their argument is, in essence, that the pre-takeover Warburg had stored up troubles for itself and that its client losses are as illusory as was its earlier huge client franchise.

The success of Sir David and Lord Cairns, with the inevitable disruption to the corporate hierarchy and client relationships, had to be confronted whether or not Warburg remained independent.

The level below them was overcrowded and sometimes mediocre. SBC Warburg encouraged out of the door several of the executives whose departures were presented by their new employers as defections.

It was only after the acquisition by SBC that Warburg thoroughly implemented industry groups, the teams of corporate financiers specialising in a particular sector, which is the



Sir David Scholey: his departure was inevitable

BCC	Switched to Schroders after SBC takeover of Warburg
BOC	Switched to JP Morgan, with Schroders for some in Far East
Boots Company	Close to CS First Boston and Kleinwort Benson
Burton Group	Moved after Warburg advised House of Fraser. Now with BZW
Courtaulds	Left Warburg after departure of account directors. Now particularly close to JP Morgan
Enterprise Oil	SBC Warburg no longer regarded as lead bank. Close to Bill Hartson, new chief executive of BZW
Forte	Taken over by Granada
Hallinan BG	Switched to Deutsche Morgan Grenfell for advice on flotation
Laporte	Moved to Schroders
Legal & General London Int'l Grp	Announced switch to Schroders and JP Morgan
Mercury Asset Mkt.	Turnover of Warburg executives prompted switch to DMG
Moss Bros	Lazard Brothers now sole adviser
Northern Electric	Moved to Schroders because of SBC Warburg conflict: SBC had advised Trafalgar House, bidder for Northern
PowerGen	Goldman Sachs advised on bid for Midlands Electricity
Sedgwick Group	BZW came in as adviser alongside NM Rothschild
Southern Electric	BZW was lead adviser in bid for Southwes Water, and Rothschild defended company against National Power
Wellcome	Warburg conflicted out of bid defence
Western Water	Taken over
Zemex	Followed Mark Seligman from SBC Warburg
	BZW added to roster

GRE enters German car insurance

By Motoko Rich

Guardian Royal Exchange, the composite insurance group, is to launch a low-cost motor insurer in Germany.

Die Alternative Versicherungs-Aktiengesellschaft will be a wholly-owned subsidiary of Albingia Versicherungs-Aktiengesellschaft, which is 86 per cent owned by GRE.

Die Alternative will offer insurance to consumers who do not require benefits such as towing services or extra cover on motor policies.

Policies will initially be sold through 150 of the 800 tied agents and some of the 1,500 brokers that sell Albingia policies, on which they receive commissions double that of Die Alternative policies.

Continuing deregulation in the German market and depressed disposable incomes have fuelled demand for low-cost motor insurance.

Mr Volker Breukamp, European regional executive director, said: "It is essential the customers' demands for less expensive products are met. This development will allow us to offer a real alternative package of insurances to motorists in Germany."

Albingia expects Die Alternative to generate profits by the turn of the century.

Intria expected to take 40% stake in Costain

By Jane Martinson

Intria, the Malaysian construction company, is expected control 40 per cent of Costain, the UK construction group, after the results of a share issue are announced today.

Costain shareholders approved a £73.6m (\$114.8m) rescue package last week, of which about \$41m was underwritten by the Malaysian group in a 3-for-1 deal at 50p each.

It is not known how many shares are left with Kharafi, the Kuwaiti construction company opposed to the deal, nor Raymond International, the Saudi Arabian group which voted in favour.

Costain's refinancing plans received a setback when Lonrho, the UK conglomerate, withdrew from the purchase of its remaining US coal operations on Wednesday.

Costain is expected to be left with net cash of about £20m and shareholders' funds of about £42m.

the main savings from the deal would be financial, focusing on tax efficiencies rather than any synergies between the two groups.

During the six years of his captaincy the group has been refocused into a mainly logistic and specialist hire outfit, and efficiencies had already been made, he added. The benefits of closing the Edinburgh-based group's 60-strong head office would be small.

He particularly criticised any suggestion that Aggreko, Salvosen's specialist hire business, could be merged with Rentacrate, owned by Hays. The move "could be negative", he said, as they were totally different businesses.

Mr Ronnie Frost, chairman of Hays, still hopes to persuade

the Christian Salvosen board to recommend an offer. However, the distribution, personnel and parcels group will consider a hostile bid if no recommendation is forthcoming on Wednesday.

No meetings are tabled between the two sides before Wednesday. Much of Mr Frost's chance of success hinges on the decision of the Salvosen family, several hundred members of which own 33 per cent of the shares. Robin and Andrew Salvosen are board members.

Mr Frost has said that the distribution business provides the primary rationale for the bid chiefly because of the geographical fit between the two in European markets. Hays would use Aggreko, Salvosen's

specialist hire business, to strengthen the industrial support side of its commercial division, but it has not said that it would be merged with any other part of the business.

Salvosen's food processing division - representing about 10 per cent of group sales - is the only one likely to be sold following a merger.

Shares in Salvosen jumped 72p in two days after Hays revealed its intentions, although no formal offer had been made. They closed at 361p on Friday. Hays is expected to offer between 350p and 390p a share, valuing the group at up to £1.2bn.

A successful takeover would catapult Hays into the FTSE 100 with a market capitalisation of about £2.7bn.

One-off charges put Molson in the red

By Robert Gibbons in Montreal

Molson, the big Canadian brewer and retailer, recorded a C\$80.5m (\$US22.4m) loss after write-offs and restructuring charges for the year ended March 31.

The figure included accounting losses on the sale of most of group profits. The investment, which will take the number of Asia staff to 6,000 from 2,900, is intended to double this contribution.

The bank has chosen organic growth in Asia because it regards acquisitions there as difficult to make.

It has established a regional centre in Singapore but does not intend to offer retail services on the island. Along with those of Japan, Hong Kong and South Korea, it regards the Singapore consumer market as well enough served.

Asia brings in only some 6 per cent of group profits. The investment, which will take the number of Asia staff to 6,000 from 2,900, is intended to double this contribution.

The bank has chosen organic

growth in Asia because it regards acquisitions there as difficult to make.

Crude oil trading accounts for about 40 per cent of Nestle's sales. Mr Ropponen stressed it was no longer group policy to conclude long-term trading contracts. The majority of such contracts had already matured, and the rest would be completed by mid-1996. The group said the FM250m loss included a provision for an anticipated risk of loss for the rest of the year.

Notice to Holders of Atari Corporation 5 1/4% Convertible Subordinated Debentures Due April 28, 2002 CUSIP No. 046515 AAB

Pursuant to the Amended and Restated Agreement and Plan of Reorganization, dated as of April 8, 1994 (the "Reorganization Agreement") between Atari Corporation, a Nevada corporation ("Atari"), and IT Storage, Inc., a Delaware corporation ("ITIS"), Atari will be merged with and into ITIS (the "Merger") or on or about July 30, 1996 upon approval of the respective stockholders of Atari and ITIS at meetings to be held on July 30, 1996.

Pursuant to the Reorganization Agreement, each outstanding share of Atari Common Stock, \$0.01 par value, will be converted into one share of ITIS Common Stock, \$0.0001 par value.

Upon completion of the Merger, ITIS will enter into a supplemental indenture (the "Supplemental Indenture") with Bankers Trust Company (the "Trustee") under and pursuant to the terms of the indenture governing the Debentures (the "Indenture") to provide that ITIS will assume all of the covenants, agreements and obligations of Atari under the Indenture. There will be no change to the Conversion Price under the Indenture as a result of the Merger.

This Notice is being sent to you pursuant to Section 10.14 of the Indenture. NO ACTION IS NECESSARY OR REQUIRED ON YOUR PART WITH RESPECT TO THE MERGER OR THE SUPPLEMENTAL INDENTURE. If you have any questions regarding this Notice, please contact Sam Tramell at Atari, telephone (408) 328-0900.

ATARI CORPORATION
By: Bankers Trust Company

Dated: July 22, 1996

ABN Amro plans Asia branch network

By Gordon Cropp
in Amsterdam

ABN Amro, the Netherlands' largest bank, is to build a branch network in Asia in an unusual move by a western institution into the market for retail deposits in the region.

It forms the main part of an Asian expansion plan on which the bank is to spend \$1bn (\$601m) by 2000. The investment represents a doubling of its commitments to the region, in which it has been active primarily in trade finance.

"We don't just want to reduce our [domestic] stakes but restructure them," said Mr Kopper. He ruled out earlier suggestions by Mr Jürgen Krämer, the bank's finance director, that Deutsche would consider reducing its stake in Daimler-Benz, the industrial group, to below 25 per cent. "This would mean selling it to, for example, Toyota [the Japanese motor group]. I can only laugh at that," he added.

Mr Kopper's remarks follow a series of financial scandals in companies where Deutsche holds large stakes and where Mr Kopper is a member of the supervisory board. They include Metalgesellschaft, the industrial and trading company that nearly collapsed in 1994, and Klöckner-Humboldt-Deutz, the German engineering group whose management last month failed to report hidden losses.

Judy Dempsey, Bonn

NEWS DIGEST

Deutsche Bank looks to restructure

Deutsche Bank, Germany's largest bank, wants to "Europeanise" its industrial holdings and reduce its large stakes in domestic companies, said Mr Hilmar Kopper, chairman. But he insisted in a magazine interview published today that the bank could not afford to cut back significantly on its more profitable industrial holdings because it would mean paying a 60 per cent capital gains tax on profits.

"It is unthinkable that we should hand over 60 per cent of the profits from share price gains to the state and only 40 per cent to our shareholders," Mr Kopper told Der Spiegel, the weekly news magazine. He added that the German government should introduce a more flexible tax law, a view long argued by the bank. Instead, depending on the holding, Deutsche would engage in a two-pronged strategy aimed at reducing and restructuring the stakes at home while seeking to "Europeanise, possibly even globalise our investments".

"We don't just want to reduce our [domestic] stakes but restructure them," said Mr Kopper. He ruled out earlier suggestions by Mr Jürgen Krämer, the bank's finance director, that Deutsche would consider reducing its stake in Daimler-Benz, the industrial group, to below 25 per cent. "This would mean selling it to, for example, Toyota [the Japanese motor group]. I can only laugh at that," he added.

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Judy Dempsey, Bonn

Porsche sees sales improvement

Porsche, the German sports car maker, said its drive back into production was picking up speed following a surge in demand and record production of its 911 model. According to preliminary figures for the year ending July 31, the Stuttgart-based group expects turnover to rise about 8 per cent to DM2.8bn (\$1.89bn) on a year ago. It declined to specify its profits but said operating profits had been stronger in the second half than in the first, when the group reported operating profits of DM1.03m. Final results will be published in early December.

The improvement in Porsche's fortunes has been helped by record production of the 911 model. Porsche said it had produced 20,100 911s this year, up from 17,233 a year earlier. However, rising sales were being driven by export markets, especially the US where Porsche has sold about 7,000 911s - 2 per cent less than a year earlier - sales have been slowed by a tax on office cars introduced this year.

Michael Lindemann, Bonn

Statoil hurt by stronger dollar

Statoil, the Norwegian state oil company, reported improved performance from oil, gas and refining operations in the first half. Operating profits rose from Nkr7.5bn to Nkr8.2bn (\$1.25bn). Higher oil prices, good regularity of offshore production, increased output and better results from refining activities offset a substantially weaker showing from its petrochemicals division.

The company blamed a slump in pre-tax profits from Nkr1.1bn to Nkr7.5bn on higher long-term debt values caused by the strengthening of the US dollar against the krone. Borealis, its petrochemicals joint venture with Neste of Finland, suffered a collapse in operating profits from Nkr7.5bn to a loss of Nkr19m. Statoil said a steep fall in margins had bottomed out at the end of 1995, and a recovery was noted in the first six months.

Turnover rose to Nkr4.5bn, against Nkr4.4bn, reflecting production start-ups in new fields, operations at foreign subsidiaries and increased purchases and sales of crude oil. Oil and gas operations reported an increase in operating profits from Nkr5.6bn to Nkr7.5bn.

Greg Mcivor, Stockholm

Neste loses on crude oil trades

Neste Finland's biggest industrial group by turnover, says it has suffered a FM250m (\$63.4m) loss from crude oil trading so far this year. Mr Veikko Ropponen, chief financial officer, said that most of the losses stemmed from long-term contracts concluded several years ago which were linked to its former offshore activities in the UK North Sea sector. He said Neste hedged its crude oil commitments against price risks but had incurred losses recently - particularly in June and July - when unexpectedly high oil prices exceeded the upper hedging limit.

Crude oil trading accounts for about 40 per cent of Neste's sales. Mr Ropponen stressed it was no longer group policy to conclude long-term trading contracts. The majority of such contracts had already matured, and the rest would be completed by mid-1996. The group said the FM250m loss included a provision for an anticipated risk of loss for the rest of the year.

Greg Mcivor, Stockholm

One-off charges put Molson in the red

By Robert Gibbons in Montreal

Molson, the big Canadian brewer and retailer, recorded a C

Deutsche Bank
looks to restructure

FINANCIAL TIMES MONDAY JULY 29 1996

COMPANIES AND FINANCE

Rhône-Poulenc posts 39% rise

By David Owen in Paris

Rhône-Poulenc, the French chemicals and drugs group, has unveiled a 39 per cent increase in second-quarter net income, spurred by a strong performance by its health and agricultural divisions.

The result found favour with the market and the shares ended the week in Paris at FF125.50, a gain of FF1.10 in two days. The positive performance was foreshadowed last Thursday by a sharp rise in profits at Rhône-Poulenc Rover, the company's 53 per cent-owned US drug arm.

The rise in net income, from FF105.9m to FF127.7m (\$15.4m), was reflected in a 36.4 per cent improvement in earnings per share. These climbed from FF1.17 to FF2.41. The result was achieved on sales ahead marginally from FF721.51m to FF722.15m.

The company's disappointing first quarter meant the advance in first-half net income was less impressive at 8.2 per cent, or from FF12.86m to FF14.16m. Earnings per share at FF1.38 against FF1.09, were in line with analysts' expectations. First-half turnover declined from

PROFILE
RHÔNE-POULENC

Market value: \$7.9bn Main list: Paris

Historic P/E

Dividend yield

Earnings per share

Current share price

4 weeks to June 20 1996

SHARE PRICE

relative to the S&P 120 Index

1996

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MARKETS: This Week

BOND MARKETS

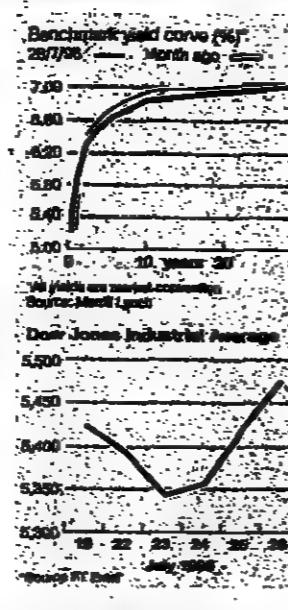
This could be the week that sets the direction for US interest rates – and financial markets – for the second half of the year.

The decision of the Federal Reserve's policy-making committee not to raise rates at its last meeting at the end of June was promptly thrown into question by a strong employment report that sent reverberations through both bond and stock markets.

Any further warning signals this week of increasing inflation – including in the latest monthly unemployment report due on Friday – could seem to leave the Fed little choice but to act at its next meeting on August 20.

In a week packed with data, the most important announcements will be:

- Tuesday's employment cost index. After a 3 per cent year-on-year rise in the first quarter, most economists expect a 3.3 per cent increase for the second.
- Thursday's release of second-quarter GDP. The springtime spurt in economic activity probably translated into GDP growth of around 3.8 per cent for the quarter, according to economists surveyed by MMS International – an acceleration from the 2.2 per cent of the previous three months.
- The National Association of Purchasing Managers' index.



also on Thursday. The July index is expected to come in at around 55, up from 54.8 in June.

• Friday's employment report. After the 0.8 per cent jump in hourly earnings for June, July's report is expected to show a further rise of 0.3 per cent.

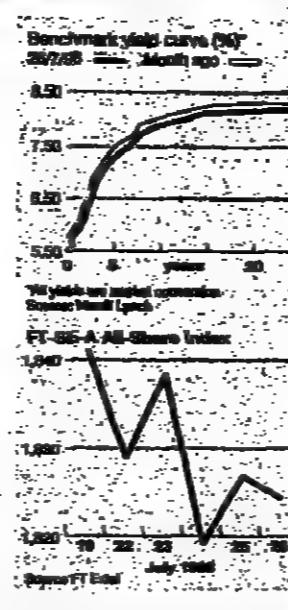
If these various forecasts turn out to be on target, then a picture will emerge this week of an economy which has entered the third quarter in full flight – pointing to higher interest rates later in August.

There is every reason to expect another week of big movements in equities and some keen action in gilts as the UK market braces itself for the usual monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

Prior to last Friday, the market had seemed to accept that a further reduction in UK interest rates was increasingly unlikely, given the most recent economic evidence. This included an encouraging quarterly survey from the Confederation of British Industry, which highlighted the first rise in confidence among UK manufacturers since spring last year. And retail spending rose sharply in the second quarter, with non-food sales showing their strongest rise for eight years.

But the smaller-than-expected increase in gross domestic product during the same period was a disappointment and seen by many in the market as keeping alive lingering hopes of a further cut in UK rates.

Investors will also have to keep an eye on events in the US where that market has been jolted, initially by fears that a robust economy could lead to a rise in US rates, but most recently by disappointing news in the high technology areas.



The week's list of corporate results and news items is short but of high quality, with no less than seven FTSE 100 constituents reporting results and a similarly high quality list of annual meetings. The market has been focusing recently on the potential for share buy-backs in the banking sector and NatWest might come up with the goods on Tuesday. Other big names reporting include BAT Industries, GKN Wellcome, Guardian Royal Exchange, Laxco, Shell and TI Group.

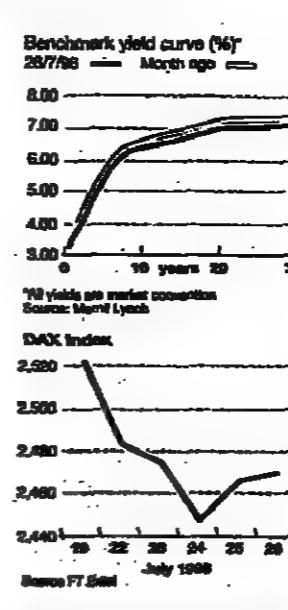
Fluctuations of smoke emerged from the Bundesbank last week, but they did not presage a change of interest policy. The small fire on the roof of the German central bank stemmed from repair work, not a Vatican-like attempt to alert the world to a cut in a key interest rate. But for the bank's own hints, few people would have thought a lower securities repurchase (repo) rate was on the cards.

As it was, expectations were high when the bank held its last council meeting before the summer break. But there was no change in monetary policy. The dollar fell and markets were caught on the hop.

Economists were also upbeat. The council has forgone its chance to stabilise the forex market and sink the short end anchor of the yield (curve) deeper into the ground," said Mr Adolf Rosenstock of IBJ Research in Frankfurt.

Yet the chance of a further repo cut from the present 3.30 per cent, unchanged for seven months in spite of reductions in the discount and Lombard rates, remains. Mr Otmar Issing, a Bundesbank director, said it would see if there was scope for lower rates, last week's stance having been influenced by high money supply growth.

Before the next Bundesbank meeting on August 22, industrial output figures for June, July unemployment,



the July Ifo business sentiment survey (which worsened in June) could present a more buoyant economic picture. Much depends on currencies. J.P. Morgan added: "If D-Mark strength turns into a trend, the Bundesbank would likely react with a move in August, even with economic data turning up." Securities markets, meanwhile, are also watching the US German shares have been somewhat shaken by Wall Street's volatility. Equities are likely to tread water for a while.

FRANKFURT By Andrew Fisher

Fluctuations on the Tokyo stock market are expected to continue to be strongly affected by developments on Wall Street.

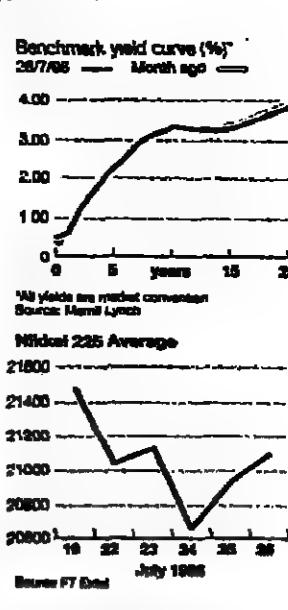
The fall in US shares has raised concerns that US mutual funds, which had been leading buyers during the Tokyo stock market's rally earlier in the year, will try to make up the losses in US holdings by taking profits on their Japanese share portfolio.

Although profit-taking by overseas investors may not be as heavy as some investors think, heightening anxiety over foreign selling has led to the selling of shares with high foreign ownership.

Domestic institutions, meanwhile, continue to provide underlying support through their bargain-hunting buys. A number of investment trusts will also be launched this week, and are expected to purchase stocks.

Bond prices are likely to react to fluctuations of the Nikkei stock benchmark and key economic indicators. While the Bank of Japan indicated last week that the economic recovery was only gradual, helping to calm the bond market, last week's increase in inflation data indicated a cause in shifting monetary policy.

Economic data released this week are expected to provide support for the financial markets still trying to



overcome interest rate litters. Industrial production for June is expected to show a month-on-month decline, although forecasts for July and August are likely to be stronger than in the previous year.

The labour figures for June are expected to show that the labour problems still persist.

The seasonally-adjusted unemployment figure may indicate a rise in the rate if the number of unemployed people remain unchanged from May's level of 2.4m, says SBC Warburg in Tokyo.

Corporate earnings are likely to continue a focus for investors, but in the interim brokers are looking for another week of cautious trading. Weak sentiment persists on the Hong Kong-listed China H shares – whose results tend to come out later – and investors are still wary of rises in interest rates.

Some volatility may occur in the early part of the week, ahead of the expiry of the spot future contracts at the month end, but otherwise dealers are looking for scant excitement in the short term, with the benchmark Hang Seng Index continuing to move in the 10,800 to 11,000 range. It closed Friday at 10,705.7.

earnings reports next Monday will see London's Lycos and the banks will post better results than initially expected, and this could fuel gains in the stock price.

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COMMODITIES

Copper has something to prove

After ending last week on a note of uncertainty the London Metal Exchange copper market still has something to prove.

Having got over most of the shock of the Sumitomo crisis, analysts are increasingly saying it is time for the market's short-term, bullish fundamental to be reassessed.

That seemed to be happening last week as the LME three-month delivery price moved above the psychologically-important \$3,000-a-tonne mark on Thursday night. But a hesitant day's trading on Friday saw it retreat back into the \$2,900s.

The reversal was due partly to an unexpected, although relatively modest, rise in LME warehouse stocks of the metal. But Mr Wiktor Bielski, analyst at Bain & Co, a Deutsche Bank

subsidiary, pointed out that total western world copper stocks were equivalent to just 3.6 weeks' supply, only just above the 3.5 weeks level previously regarded as critical.

He thought the copper price should be heading for \$3,200 a tonne "sooner rather than later", with further gains to come in the fourth quarter of this year.

Mr William Adams, of Rudolf Wulf, part of Canada's Noranda natural resources group, also thought there were further gains in store for the copper price. But he warned that the bounce could be short lived. A rise to \$2,950 a tonne would represent "a good long-term selling opportunity", he said in a speech at a metals review.

Companies making presentations at the conference will include North and Goldfinch.

The platinum market put in a strong finish on Friday and could make further gains this week, traders said, especially if miners at South Africa's Impala went on strike as union leaders expected. Also buoying the platinum market were reports of delays in Russian platinum shipments to Japan, which sparked speculation that Russia's stocks were dwindling.

Among this week's events is the three-day Diggers and Dealers gold conference in Kalgoorlie, Western Australia, which will be opened by the state premier, Mr Richard Court, this morning.

Companies making presentations at the conference will

include Schneider and Pinault should indicate how industry and the consumer fared in the second quarter of 1996.

Meanwhile, tomorrow's annual meeting of Canal Plus ought to be lively, given the speculation surrounding its ambitions in Germany's satellite digital television; and half-year sales from Schneider and Pinault should indicate how industry and the consumer fared in the second quarter of 1996.

Central to this discussion will be the lira, which has weakened sharply to around L1,020 against the D-Mark having threatened to breach L1,000 about a month ago. Analysts at

intense competition in the world market for wines and spirits, and Remy, according to Mr Dermott Carr at Nikko Securities, was caught by a difficult dollar/franc relationship, and by its own price increases for last year's Christmas trade, which were not matched until later by the competition.

In the stock market, last Friday, Remy was standing at about FF130 against a high of FF135 for the year and a peak of about FF240 in mid-1995.

The market enters a new era on Friday when all transactions will be made directly through a centralised electronic trading system. This will enable all stocks to be permanently traded. And, say analysts, concentrating trading in a single location will give the

market higher liquidity, making it more attractive.

Investors should notice little difference, although the enhanced transparency should make for a fairer market. Trading will begin at 9.30am for bonds, 10am for stocks and 10.15am for derivatives, and will be continuous until 4.30pm. The new system will also be available for entries and inquiries from 4.30pm to 10pm and from 8am until trading begins.

NORDIC
With the Scandinavian summer holiday season now almost at an end, Scania sets the second-quarter results season in motion on Friday. UBS expects that, following the time set by SKF, generally weak trading performances are likely to be reported for the second quarter.

ter, as foreign exchange and weak European demand unite to put profits under pressure. Earlier this month, SKF, the world's largest manufacturer of roller bearings, blamed slack demand in Europe and stiffer competition for 10.2 per cent fall in first-half profits. Pre-tax profits slid from SKr1.87bn to SKr1.48bn, some SKr1.00bn below market expectations.

However, UBS says that this month's Swedish purchasing managers' index and last week's KI business confidence survey both suggest mounting optimism among manufacturers for the fourth quarter.

HONG KONG

Banking stocks are set to grab the limelight this week, ahead of the reporting season which kicks off with HSBC Holdings' and Hang Seng Bank's interim

CROSS BORDER M&A DEALS					
ACQUISITOR/INVESTOR	TARGET	SECTOR	VALUE	COMMENT	
Liechtenstein Global Trust (Liechtenstein)	Chancellor Capital Management (US)	Financial services	\$300m	Double managed funds	
Pellicco Holdings (US)	Rainbow Group (UK)	Telecoms equipment	\$124m	Recommended offer	
Singapore (UK)	Swedair (Sweden)	Transport	est \$15m	PREFERRED	
Neustis (Switzerland)	Osem Investments (Israel)	Food	\$140m	Total stake now 40%	
Bayer (Germany)/Shaw/Swift-Wilkins (US)	Globe SA (Brazil) & Pigmentos (Brazil)	Paints	\$63m	Risk-off & Cofair disposal	
Precision Castparts (US)	AE Turbine Components (UK)	Aerospace	\$64m	TAN disposal	
Heywood Williams (UK)	Mitsi Beesig (Denmark)	Locals	\$53m	Buy up UK market share	
BBA Group (UK)	Signature Flight Support (US)	Airline services	\$44.7m	Buying out minority	
British Airways (UK)	TAT (France)	Airlines	\$33m	Taking full control	

CONTRACTS & TENDERS

CONSULTANCY SERVICES REQUIRED AT THE STATE BANK OF PAKISTAN

To support financial reforms, the Government of Pakistan intends to strengthen and modernize State (central) Bank functions via a technical assistance program. The program is funded by a World Bank loan. Consultancy services are now required at the State Bank of Pakistan (SBP), in the following areas:

1. ON-SITE EXAMINATION OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS.
Experts are required to review the existing examination methodologies, techniques, and report formats, and recommend changes to improve the effectiveness of examination activities, so as to enable the SBP to make a reasonable assessment of an institution's financial strength, performance, and future prospects. The existing procedures are primarily designed to ensure compliance with the SBP's regulations, and to verify the authenticity and accuracy of documentation. Experts will be required to arrange on the job training (for SBP staff) with national regulatory agencies of repute.

2. OFF-SITE SURVEILLANCE OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS.
Experts (preferably resident) are required, to review the existing prudential regulations and returns, surveillance procedures used by the SBP and suggest modifications where necessary. Experts will suggest better surveillance via re-design of forms, peer comparisons, exception reports and the use of financial information, including ratio analysis. Key surveillance methods should continuously evaluate risk relevant to different financial activities. Experts will be required to arrange on the job training (for SBP staff) with national regulatory agencies of repute. Critical review of methods currently used in the area of Problem Bank Management is also required.

3. OVERALL DESIGN OF AN ORGANISATIONAL STRUCTURE AT THE SBP, FOR IMPROVED SUPERVISION, AND EXAMINATION, OF FINANCIAL INSTITUTIONS IN PAKISTAN.
Experts will be required to take a fresh look at the organization and staffing of the supervision function. Expert assistance is required to review the existing organizational set-up for supervision and regulation in the context of improvements in On-Site and Off-Site surveillance and make specific recommendations regarding the desirability of a separate legal entity relative to the central bank. Experts will be required to formulate implementation plans for this function.

4. AUTOMATION OF MANAGEMENT INFORMATION SYSTEMS
Strategies and a phased plan for the automation and/or computerization or SBP activities is required. Plan must cover all aspects of automation including hardware, software, communication and networking, personnel requirements. This plan will eventually form the framework of automation activities at all State Bank offices in Pakistan. Consultants will be required to review progress periodically and suggest methods of removing impediments.

Persons and/or firms, preferably with prior central bank, developing country experience in the field (outlined above) are invited to send their proposals. They can offer expert assistance for one or more, of the four areas indicated above.

Expressions of interest or requests for additional information must be received within twenty-one days of the publication of this advertisement. All enquiries or expressions of interest should be addressed to:

R.A. Chughtai, Executive Director,
State Bank of Pakistan, Central Directorate,
L.I. Chundrigar Road, KARACHI, PAKISTAN.

Phone: (92 21) 2430285; Fax: (92 21) 2428342

CURRENCIES

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 25, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

CURRENCY	US \$	DE-MARK	YEN (X 100)	EURO (X 100)	GBP (X 100)	DM (X 100)	CHF (X 100)	JPY (X 100)
Afghanistan (High)	750.20	470.0						

MARKETS: This Week

EMERGING MARKETS BY Mark McNeilson

Budget sends Bombay south

India's stock market roared south this week after Monday's first budget by Mr P. Chidambaram, finance minister for the new United Front government.

The Bombay Stock Exchange's 30-share Sensex index dropped more than 5 per cent last week, closing on Friday at 3,560.

The slump had Mr Chidambaram puzzled. "I don't understand the share market too well," he told Friday's Economic Times. "But I think the downturn is temporary." He also suggested he would embark on "pushing a number of investor-friendly steps" to help revive the markets.

His government is depending on raising an optimistic Rs50bn through public asset disinvestments between September and January to meet his fiscal deficit target. Flat equity markets last year meant that the previous Congress government managed to raise only a small fraction of its targeted Rs70bn in such sales.

Mr Chidambaram's debut budget was a judicious mix of taxes, spending, tariff cuts and modest reforms designed both to keep India's five-year-old liberalising reforms on track while bowing to the political needs of his ideologically-diverse 13-party coalition, one in which leftist parties hold powerful sway. But the market had its eyes on three main factors.

First, and arguably most important for the market's

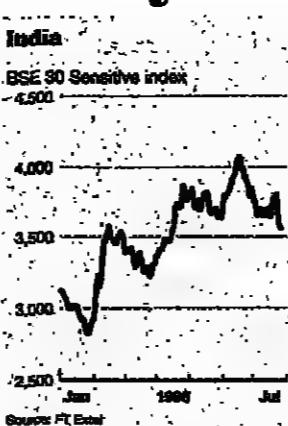
immediate reaction, was the imposition of a fresh "minimum alternative tax" designed to bring into the corporate tax net an estimated 1,049 of India's top companies which currently avoid paying any such by taking advantage of a raft of exemptions for such things as investments, depreciation or tax-free export earnings.

ING Barings' research showed that 65 of India's top 200 companies fall into this "zero-tax" bracket, a veritable Indian corporate Who's Who, including highly profitable groups such as Reliance Industries, Tisco, ONGC, SAIL and National Aluminium.

The market also took a dim view of Mr Chidambaram's announcement that companies would be permitted to issue non-voting shares up to 25 per cent of their paid-up capital.

Investors are wary of possible dilution without managerial accountability to shareholders and worry that if forthcoming guidelines for such issues are too permissive, the market could face a deluge.

And there was scepticism over Mr Chidambaram's ability to deliver a cut in the fiscal deficit from last year's 5.9 per cent of GDP to 5 per cent. Few Bombay-based brokerages believe the target will be met, arguing by previous example that spending is likely to overshoot his target, while suggesting Rs50bn in state disinvestments may be beyond his



reach in the eight remaining months of the fiscal year.

The greater the overshoot, the bigger the government's borrowing programme and the stronger the upward pressure on interest rates, which have only lately begun to ease after more than a year of government pressure on available funds.

The high rates of the past 18 months have turned retail investors off Indian equities and towards a series of attractive new bond issues. This, combined with liquidity pressures on domestic institutions, has helped leave the momentum for Indian equities almost solely in the hands of foreign institutional investors (FII) for the first half of this year.

Foreign inflows of about \$2bn since January had, almost single-handedly, pushed up a Sensex languishing at 2,900.

late last year to its pre-budget levels, creating at 3,600.

Brokers say that FII have set off the market during budget week, with many suggesting the plunge has been fuelled rather by domestic speculation.

But the foreign appetite for Indian paper remains, even if it has become increasingly selective. The recent \$30m Global Depository Receipt offering by Crompton Greaves was oversubscribed, as was a \$100m convertible bond from Mahindra & Mahindra, the vehicles group.

And while two other \$50m issues have recently been pulled, a trio of big issues by well-regarded companies - \$200m by Telsco, the car group, \$200m by ICICI, the state financial group, and \$400m from the State Bank of India - are hitting the road and are expected to find takers.

These euro-issues may temper the immediate demand for direct foreign purchases on the domestic market. But the Indian market remains cheap in the region, with the Sensex stocks trading at around 14 times prospective 1997 earnings and the broader market at around 11 times.

However, FII and local brokers differ significantly in their outlook for FII growth, which has been averaging 25 per cent to this fiscal year. Those, including Morgan Stanley and Crosby, making upper-end pre-budget forecasts in the range of 22-25 per cent for fiscal 1997 have trimmed these in view of the new minimum tax to 17 or 18 per cent.

But some brokerages had been making gloomier pre-budget forecasts of 1996 earnings growth in the range of 11-12 per cent, believing that higher input costs from recent fuel and rail freight price rises, a softening rupee and increasing port power and other infrastructural bottlenecks, might bring overall economic growth substantially below government estimates of 6.6 per cent for the year.

Jardine Fleming, for example, sees growth at around 6.4 per cent. At least one other leading FII is touting 4.5 per cent. "Past growth is not an indicator of future performance. We stand by our forecast of an economic downturn," adds ING Barings.

Bundesbank shatters hopes of convergence

Even the most bullish advocates of convergence last week revised their expectations, and said they now despair of seeing Europe's high-yielding bond markets move closer to German levels in the near future.

Since the Bundesbank announced last Thursday its decision to leave the repo rate unchanged at 3.30 per cent for the next four weeks, yield spreads between German bonds and high-yielding Euro zone bonds have widened substantially.

The 10-year spread of Italian bonds over bunds crossed the psychologically-important 300 basis point level to end the week at 312 basis points, while that of Spanish bonds widened by almost 4 percentage point to 251 basis points.

Analysts at BZW are forecasting further widening of these spreads in the short term, to around 350 basis points for Italy and more than 275 basis points for Spain. And predictions by Sanwa International and Paribas Capital Markets lie in a similar range.

The Bundesbank's decision was "one more nail in the coffin of convergence," said Mr Mark Fox, chief European strategist at Lehman Brothers.

"The Bundesbank made it clear that it is not worried about a strong D-Mark," said Ms Phyllis Reed, European bond strategist at BZW.

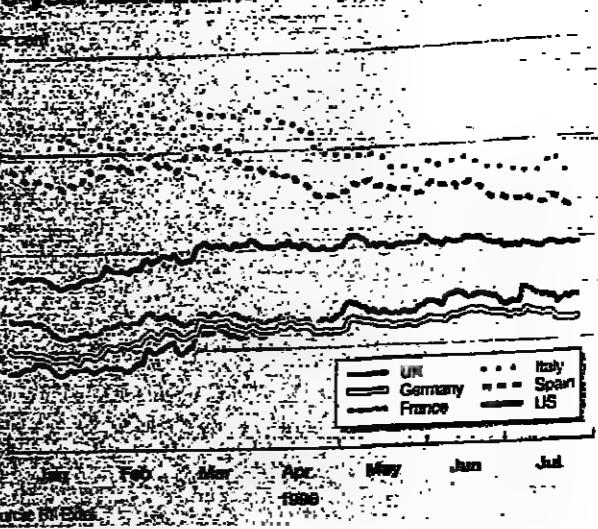
"They are not likely to review their policy until the currency reaches a level where it starts to hurt the economy."

However, the Bundesbank is not the sole culprit. Several other factors have played a role in this radical shift in expectations. The dollar's performance on the foreign exchange markets is undoubtedly one of them.

The steady appreciation of the US dollar against other currencies, in recent months, had underpinned the convergence process by weakening the D-Mark and mark-denominated bonds relative to the peripheral European markets.

But the dollar's rally appears to be wavering lately in the absence of a rate hike by the US Federal Reserve, and was dealt a further blow by the Bundesbank last Thursday.

Mr Sharda Persaud, Euro-

10-year Benchmark bond yields

	UK	Germany	France	Italy	Spain	US
Jan	4.25	3.53	3.63	5.75	5.75	7.75
Feb	4.24	3.52	3.62	5.68	5.68	7.75
Mar	4.23	3.51	3.61	5.67	5.67	7.75
Apr	4.22	3.50	3.60	5.66	5.66	7.72
May	4.21	3.49	3.59	5.64	5.64	7.65
Jun	4.20	3.48	3.58	5.63	5.63	7.58
Jul	4.19	3.47	3.57	5.62	5.62	7.50

peconomist at San Paolo Bank in London, warns of the risk of "more profit-taking [on high-yielding bonds] if the US payroll data are stronger than expected". She predicts further flight to quality, with bonds benefiting most, in particular if US Treasuries prove to be vulnerable to the data.

But analysts also warned against overplaying last week's events. "The market was looking in bad shape even before the repo decision," said Ms Persaud.

"All the good news was built into the market," said Mr Graham McDevitt, a bond strategist at Paribas. "The widening two weeks ago of Italian and Spanish spreads was a warning bell."

Mr Fox at Lehman Brothers said BZW had not revised its long-term forecast on high-yield outperformance.

"Our target is still 275 basis points for Italy and 235 basis points for Spain by the year-end," he said, referring to the 10-year spreads over German bonds.

Italy and - to a lesser extent - Spain are not the only vulnerable markets. Analysts pointed out that they were the first to suffer because they had shown the best performances in recent months.

However, if the current uncertainty takes hold, it is likely to spread to other peripheral bond markets. "Sweden and Denmark are also starting to show signs of weakness," said Mr McDevitt at Paribas.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	26/7/96	Week on week movement	Actual	Percent	Month on month movement	Actual	Percent	Year to date movement	Actual	Percent
World (431)	154.07	-5.05	-3.16	-3.30	-6.10	+7.11	+4.82			
Latin America										
Argentina (22)	90.92	-1.85	-4.06	-13.77	-13.18	-2.15	-2.22			
Brazil (23)	233.48	-2.82	-1.07	-5.05	-1.58	-47.38	+26.48			
Chile (16)	182.47	-1.57	-0.81	-2.02	-1.00	-3.07	-1.63			
Colombia (14)	103.85	-1.05	-0.53	-1.34	-2.94	-4.60	-2.33			
Mexico (24)	76.78	-2.58	-3.26	-6.07	-5.58	-3.19	-2.33			
Peru (13)	1,115.31	-30.82	-3.20	-32.03	-2.96	-45.36	+4.34			
Latin America (12)	135.41	-2.88	-2.06	-3.45	-3.87	-19.27	-2.81			
Europe										
Greece (18)	109.55	-0.73	-0.88	-3.99	-3.78	+11.81	+11.85			
Portugal (7)	121.71	-0.61	-0.41	-4.05	-2.05	+17.47	+17.47			
Turkey (28)	103.12	-1.24	-1.25	-12.78	-11.01	-20.22	+4.54			
South Africa (30)	137.00	-6.16	-4.35	-12.06	-8.08	-16.35	-10.69			
Europe (134)	118.80	-3.18	-2.80	-6.93	-5.51	-2.64	-2.17			
Asia										
China (24)	44.93	-1.60	-1.38	-0.72	-1.61	+4.97	+4.93			
Indonesia (31)	136.80	-5.05	-3.94	-10.38	-8.88	-1.84	-1.83			
Korea (16)	105.88	-3.77	-3.15	-3.38	-3.47	-3.05	-2.95			
Malaysia (23)	243.77	-11.34	-4.45	-12.31	-4.81	+16.41	+17.22			
Pakistan (14)	77.59	-5.75	-8.00	-13.48	-14.80	-1.03	-15.43			
Philippines (14)	314.07	-18.97	-6.70	-10.00	-6.69	+54.90	+51.10			
Thailand (25)	209.33	-15.12	-6.74	-28.84	-10.98	-42.55	-16.28			
Taiwan (31)	187.85	-4.46	-2.81	-8.67	-4.91	+37.03	+28.30			
Asia (188)	210.71	-9.03	-4.40	-13.83	-6.03	+7.67	+3.70			

All indices in \$ terms, January 7th 1985=100. Source: ING Barings Securities.

Notice to Holders of**7.4% - 8% Convertible Series A Debentures****(the "Series A Debentures")****7.4% - 8% - 10.75% Non Convertible Series AA****Debentures (the "Series AA Debentures")****7.4% - 10% Convertible Series B Debentures****(the "Series B Debentures")****7.4% - 10% - 11.75% Non Convertible Series BB****Debentures (the "Series BB Debentures")****(collectively the "Debentures") due June 16, 1997****of****Sodico-Howden Group Inc.****(formerly Unigenico Inc.)****NOTICE IS HEREB**

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

	Jul 29	Closing mid-point	Change on day	Bid/offer spread	Day's Mid. high	Day's Mid. low	One month Rate %PA	Three months Rate %PA	One year Rate %PA	Bank of England index
Europe										
Austria	(Stk)	16.3075	+0.0061	011 - 138	16.2458	16.1265	16.1792	2.3	16.1972	2.8
Belgium	(BPF)	47.4655	+0.0213	556 - 581	47.5811	47.2610	47.4008	2.4	47.2108	2.4
Denmark	(DK)	7.8007	-0.0017	570 - 579	7.8507	7.8502	7.8573	1.8	7.8651	1.8
Finland	(FTF)	7.1810	-0.0114	525 - 579	7.1830	7.1764	7.2057	1.9	7.7823	1.8
Germany	(DM)	2.3051	-0.0012	157 - 204	2.3050	2.2925	2.2967	2.3	2.2958	2.3
Greece	(Dr)	367.4821	+0.015	314 - 611	368.4111	368.4023	368.4023	2.3	368.4111	2.3
Ireland	(IE)	2374.32	+10.64	268 - 572	2373.28	2359.98	2370.47	2.8	2369.72	2.8
Luxembourg	(LUF)	44.2954	+0.0213	555 - 581	47.5811	47.2610	47.4008	2.4	47.2108	2.4
Netherlands	(NL)	108.189	+0.0018	105 - 167	107.397	106.142	106.142	2.3	106.142	2.3
Norway	(NOK)	11.8123	-0.0015	104 - 137	11.8123	11.7422	11.7444	2.3	11.8123	2.3
Portugal	(PTE)	237.044	+0.072	220 - 267	237.267	235.142	235.142	2.8	235.222	2.8
Spain	(PE)	106.189	+0.0013	103 - 304	106.478	104.922	104.922	2.3	106.478	2.3
Sweden	(SEK)	102.3897	+0.004	249 - 464	102.952	101.742	101.742	2.0	101.237	2.0
Switzerland	(CHF)	1.8811	+0.0021	768 - 822	1.8823	1.8716	1.8783	3.4	1.8717	3.4
UK	(GB)	1.2281	+0.0025	257 - 264	1.2281	1.2203	1.2248	1.3	1.2203	1.3
Ecu	(Ecu)	1.068103	-							
SDR	(SDR)	-								
Americas										
Brazil	(Real)	1.5331	-0.0018	558 - 561	1.5365	1.5324	-			
Canada	(C\$)	2.1385	-0.0012	1.987 - 2.134	2.1385	2.1385	2.1385	0.4	2.1381	0.4
Mexico	New Peso (M)	11.8123	-0.0015	104 - 137	11.8123	11.7422	11.7444	2.3	11.8123	2.3
US	(\$)	1.5555	-0.0018	540 - 551	1.5562	1.5524	1.5567	0.4	1.5567	0.4
Pacific/Ratcliffe Islands/Africa										
Australia	(A\$)	1.5745	-0.0041	722 - 752	1.5818	1.5828	1.5797	-1.5	1.5818	-1.5
Hong Kong	(HKD)	12.0254	-0.0025	12.0074 - 12.0274	12.0254	12.0186	12.0186	2.0	12.0274	2.0
India	(INR)	50.3654	-0.0428	425 - 459	50.5716	50.5716	50.5716	2.0	50.5716	2.0
Ireland	(IRL)	4.9820	-0.0025	255 - 264	4.9820	4.9820	4.9820	2.0	4.9820	2.0
Italy	(ITL)	1.0838	-0.0107	267 - 464	1.0830	1.0782	1.0782	5.1	1.0782	5.1
New Zealand	(NZD)	4.5707	-0.0025	300 - 347	4.5707	4.5707	4.5707	2.3	4.5707	2.3
Philippines	(Peso)	1.5822	-0.0025	255 - 264	1.5822	1.5822	1.5822	2.0	1.5822	2.0
Saudi Arabia	(SR)	5.5232	-0.0027	313 - 341	5.5490	5.5225	5.5225	-	5.5225	-
Singapore	(SGD)	2.2327	-0.0013	011 - 035	2.2365	2.2300	-			
South Korea	(Wons)	1.8254	-0.0041	902 - 405	1.8268	1.8212	-			
Taiwan	(TWD)	45.8210	-0.0245	180 - 200	45.8210	45.8210	45.8210	-	45.8210	-
Thailand	(THB)	36.3222	-0.0225	360 - 361	36.4112	36.3222	-			

* Rates for Jul 25. Bid/offer spreads in the Pound Spot table above show the last three decimal places. Forward rates are directly related to the market bid/offer spread by the same interest rates. Spot rates calculated by the Bank of England. Most average 1990 = 100. Index rebased 1980=100. Bsf, Offer and Mid-rate in both the Spot and the Dolar Spot tables derived from the WHOMER'S CLOSING SPOT RATES. Some values are rounded by the FT.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

	July 29	Bfr	Dkr	Ffr	Fr	Em	E	L	N	Nkr	Rs	Sw	Usd	Wfr	Yen	Zls
Belgium	(BPF)	108.72	4.484	2.025	4.988	5.445	2.028	5.290	5.050	4.911	2.120	3.860	1.025	1.025	1.025	1.025
Denmark	(DK)	10.78	8.785	2.025	1.025	2.020	2.010	2.010	2.010	2.010	2.010	2.010	2.010	2.010	2.010	2.010
France	(FF)	80.76	11.37	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Germany	(DM)	20.83	3.395	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Ireland	(IE)	65.4938	8.242	2.024	2.024	2.024	2.024	2.024	2.024	2.024	2.024	2.024	2.024	2.024	2.024	2.024
Italy	(ITL)	1.0201	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762	0.0762
Norway	(NOK)	78.28	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827	0.827
Portugal	(PTE)	20.04	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574	0.574
Spain	(PE)	24.21	4.522	3.585	1.176	4.960	1.210	1.210	1.210	1.210	1.210	1.210	1.210	1.210	1.210	1.210
Sweden	(SEK)	48.08	7.858	2.348	0.930	2.316	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Switzerland	(CHF)	26.25	4.727	4.716	1.224	5.111	1.375	1.375	1.375	1.375	1.375	1.375	1.375	1.375	1.375	1.375
UK	(GB)	47.4655	4.484	2.025	4.988	5.445	2.028	5.290	5.050	4.911	2.120	3.860	1.025	1.025	1.025	1.025
Canada	(C\$)	47.4250	4.484	2.025	4.988	5.445	2.028	5.290	5.050	4.911	2.120	3.860	1.025	1.025	1.025	1.025
US	(\$)	47.4250	4.484	2.025	4.988	5.445	2.028	5.290	5.050	4.911	2.120	3.860	1.025	1.025	1.025	1.025
Japan	(Yen)	102.35	5.718	5.009	4.941	5.161	5.007	5.007	5.007	5.007	5.007	5.007	5.007	5.007	5.007	5.007
Denmark Krone, French Franc, Norwegian Krone, and Swedish Kroner per 100 Belgian Francs, Yen, Euro, Swiss, USd and Peso per 100																

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	Open	Sett price	Change	High	Low	Setvol	Open Int.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

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INDICES

	Mo	Ja	Ja	Ja	High	1995
	35	25	24	24	Low	Low
Argentina Bolsas(3/1/77)	15501.33	16019.54	16237.24	16861.55	2016	15001.33 2017
Australia All Ordinaries(1/1/80)	2143.0	2175.1	2113.0	2226.0	254	2068.10 1777
All Minig(1/1/80)	954.7	944.5	951.5	1115.00	95	944.50 1277
Austria Aust. Aktien(3/1/284)	253.03	251.86	250.07	266.98	315	248.95 2397
Traded Index(2/1/91)	1023.10	1018.36	1012.21	1142.51	285	952.27 211
Belgium BEL 20(1/191)	1570.99	1564.25	1652.80	1770.28	205	1501.98 211
Brazil Ibovespa(2/1/203)	5585.0	50263.0	60510.0	58222.50	127	43001.00 211
Canada Avtos Minis(1/1973)	4892.24	4940.99	4822.58	5224.00	95	4857.47 1871
Composite(1/1973)	4933.30	4906.30	4880.28	5264.00	316	4280.70 1571
Unisys(5/1/183)	2494.98	2424.21	2474.28	2585.55	275	2227.39 1271
Chile TAIF Corp(3/1/1280)	5567.37	5568.03	5565.24	5564.33	57	5215.28 54
Denmark OpenIndex(3/1/183)	404.73	404.19	405.05	415.10	47	3864.40 211
Ireland EX Exchange(2/1/1250)	1857.68	1856.88	1935.83	2070.02	315	1851.87 1011
France SF 250(3/1/1230)	1330.75	1356.14	1342.94	1487.55	66	1250.18 211
SF 40(3/1/1267)	1582.86	1524.67	1554.10	2146.79	304	1297.85 11/1
Germany DAX Aktien(3/1/1258)	872.21	872.85	857.57	911.74	57	819.58 211
Omega(3/30/1/1253)	2525.10	2226.30	2510.70	2622.00	57	2210.20 211
WIBI(3/1/1367)	2470.34	2465.00	2447.80	2583.69	57	2245.80 211
India Sensex(3/1/1280)	855.31	878.94	876.87	1017.95	43	876.87 247
Hong Kong Hng Seng(3/1/780)	10705.57	10708.97	10539.86	11594.98	182	10249.87 211
Italy SE Borsa(1/1970)	3580.00	3552.26	3582.06	4889.26	186	3220.00 25/1
Indonesia Istim (Comp)(1/1/182)	501.30	508.44	511.72	630.21	244	512.48 211
Iceland Icel. Orkla(1/1/88)	2428.43	3414.46	2305.22	2855.19	186	2234.81 211
India India Bonds Isk(1/972)	550.68	505.22	502.27	674.30	205	572.21 273
Ind. Bonds(7/799)	1016.00	1026.00	1033.00	1142.00	205	954.00 213
Japan Nik 225(16/5249)	21124.50	20883.04	20631.03	23989.50	286	18294.70 13/3
Malaysia Mai 300(1/1732)	265.66	233.98	251.50	318.70	256	284.48 11/3

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FINANCIAL TIMES MONDAY JULY 29 1996

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NYSE PRICES

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Trade highs and lows for NYSE reflect the period from Jan 1 1995.
Unless otherwise noted, ages of children are annual measurements based
on latest disclosure. Sales rates are annualized.

1-year yearly low, P/E price-earnings ratio, shr-shr, s-share, t-share yearly high,
tr-trillion or millions, pvt-pvt, v-value to bill.

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AMEX PRICES

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Stock	IV Size						Stock	IV Size						Stock	IV Size							
	Dly. E	100a	High	Low	Clos	Chng		Dly. E	100a	High	Low	Clos	Chng		Dly. E	100a	High	Low	Clos	Chng		
Adv Magn	18	11	16.8	10	10	-	ConocoFds	13	3	5%	5%	5%	-1%	Hesco	0.10	25	8	17.2	17.2	17.2	+1%	
Afifi Int	12	12	24	2	21	-1%	CrossATA	0.04	16	81	13	12.8	13	+1%	HutchisonA	8	8	5%	5%	5%	+1%	
Albany Ind	127	124	74	73	75	+1%	Crown CA	0.40	1	8	14.2	14.2	14.2	+1%	IntronCp	0.18	19	157	123	123	123	-1%
Amherst Pcs	1.04	6	1100	342	344	+2%	Crown CB	0.45	1	15	14.5	14.5	14.5	+1%	Int. Cos	18	224	75	7	7.2	-1%	
Amsted	0.05	37	488	54	54	+1%	Cubic	0.57	21	18	30.3	30.2	30.3	+1%	Intermount	36	918	142	132	14	-1%	
AmwestExpl	126	19	13	12.2	12.2	-	Custommedic	-	18	66	22.4	21.5	21.5	-1%	Jew	0.10	13	2100	14.4	13.5	14	+1%
Amplifon-Ams	52	50	45	42	44	-	DI Inds	-	4	321	1.5	1.2	1.5	+1%	Jan Bell	19	223	24	24	23	-1%	
AMR Inc	2.05	8	25	18.9	18.2	-1%	Decompress	-	12	311	15.5	15	15.5	+1%	Klark Cp	10	4	3.5	3.5	3.5	-	
Amstraback	16	221	53	44	50	+1%	Eden Bay	0.45	33	2100	13.4	13.4	13.4	-	Kirkby Eng	31	228	155	155	155	-1%	
Amstel	7.4327	57	57	52	52	+1%	Edel Br A	0.32	27	7	7.4	7.3	7.3	-1%	KopEx	8	162	14	13.5	14	+1%	
Amwest A	6	10	42	42	42	-1%	Edisto Re	19	78	10.5	10.5	10.5	-1%	Lakewood	45	182	6.5	6.5	6.5	+1%		
AmwestPDR	50	2	4	4	4	-	Elfinsys	12	527	13.4	12.6	13	+1%	Lamont	81	750	14.5	13.5	13.5	+1%		
AMH Ocean	0.50	11	60	25	25	-1%	Fab Insts	0.70	18	2	26.2	25.5	26.2	-	Lanham	3	23	9.5	9.5	9.5	-1%	
AmplifonMr	0.89	12	8	28.4	25.5	-2.9	Fina A	2.80	14	13	50.5	50.5	50.5	-	Lynch Cp	21	5	7.5	7.5	7.5	-1%	
AmplifonT7 A	0.04	27	48	3.5	3.4	-1%	Forest Ls	18	1156	25.7	34.5	33.5	+1%	Maccann	6	12	30.5	30.2	30.2	-		
AMTArc	0.05	10	3	15.6	15.1	-1%	Fins Man x 0.40	27	21	25	24.4	25	-	Magis A	0.48	12	227	24.0	22.8	22.8	+1%	
Amwest	2	2.5	3.5	3.5	3.5	-	Fins Inst	0.70	14	13	50.5	50.5	50.5	-	Magis Co	0.29	4	20	6.5	6.5	6.5	-
Amwest Man	0.05	10	10	25	25	-	Finw Inst	11	12	34	34	34	+1%	Marmill	6	182	10.5	10.5	10.5	-		
Amwest Pd A	13	60	29	28.5	28.5	+1%	Frequency	-	11	12	34	34	34	+1%	Meng A	1.00	18	17	21.5	20.5	21.5	+1%
Amwest	4	73	1.5	0.112	1.5	-	Gaten	0.30	15	40	16.5	16.5	16.5	+1%	Meng B	10	10	3	6.5	6.5	6.5	+1%
Amwest	0.35	10	109	20.5	20.5	-1%	Global Fds	0.75	16	807	34.5	33.5	34.5	+1%	Meng C	10	6.5	6.5	6.5	6.5	-	
AmwestC	1.04	22	59	18.2	18.2	-1%	Global Inst	0.70	71	72	17.5	17.2	17.5	+1%	Meng D	1.00	18	17	21.5	20.5	21.5	+1%
AmwestP	1	52	3	3	3	-	Goldfield	8	55	15	16.4	14	16.4	+1%	Meng Expl	10	10	3	6.5	6.5	6.5	+1%
AmwestP	0.13	14	8	30.2	30.2	-	HamDr	3	150	1.5	61.5	11.5	11.5	-	WestPacInv	64	21	9.5	9	9	-1%	
Amwest Pd A	0.14	29	3	5.5	5.5	-1%	Hastco	0.40	17	1417	34.2	33.5	34.2	+1%	WY Tira	0.58	19	1422	28.5	28.5	28.5	+1%
Amwest	0.01	94	4.5	4.5	4.5	-	Health Cn	150	17	17	1.2	1.2	1.2	+1%	WynneE	100	4	4.5	4	4	-	
AmwestP	0.30	14	2	19.5	19.4	-1%	Health Cn	-	-	-	-	-	-	-	Wyndham	111	344	34.5	33.5	34.2	+1%	
AmwestP	118	34	10.5	10.5	10.5	-1%	Heus	-	-	-	-	-	-	-	Yankee	713	457	35.2	34.5	35.1	+1%	
AmwestP	0.04	45	2.5	2.5	2.5	-	Holiday	-	-	-	-	-	-	-	Yankee	1.12	19	187	12.5	12.4	12.5	-1%

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NASDAQ NATIONAL MARKET

4 pm close July 26

FT GUIDE TO THE WEEK

MONDAY 29

Ulster peace plenary session

Northern Ireland parties are expected to participate in a plenary session of the peace talks process, paving the way for substantive political discussions to open when the negotiating teams reconvene in September. After bitter wrangling, the nine parties - with the London and Dublin governments - are due to agree the rules and procedures for roundtable negotiations on the province's constitutional future. The breakthrough occurred after George Mitchell, the US senator chairing the talks, tabled a compromise paper agreed by the parties last week.

US/Japan semiconductors

US and Japanese trade negotiators start negotiations in a last-minute attempt to reach an agreement over semiconductors before a bilateral accord expires on Wednesday. The two sides, due to meet in Vancouver, Canada, differ widely on what kind of co-operative arrangement should replace an accord lauded by the US as a model for future trade pacts but maligned by Japan as sanctioning managed trade. The agreement has forced Japan to ensure that the foreign share of its semiconductor market reaches 30 per cent.

Blair reshuffles his team

Tony Blair, the leader of the UK opposition Labour party, embarks on the last stage of this year's round of summer reshuffles. In last week's shadow cabinet adjustment, he demoted Clare Short, the leftwing transport spokeswoman, and installed the ultra-loyal Andrew Smith in her place. This week, in a reshuffle of the middle and lower ranks of his team, he is likely to give more responsibility to rising stars of the 1992 intake of MPs in order to prepare them for jobs in a Labour government. Full details of the reshuffle may not be released until later in the week.

Brisbane fisheries congress

The second world fisheries congress starts in Brisbane, where about 900 scientists and academics from more than 60 countries will gather to discuss the future of the world's fisheries. The four-day conference is expected to focus on sustainability and the replenishment of fish stocks as global fishing pressures continue to mount.

UN nuclear test ban treaty
The 61 members of the United Nations disarmament conference return to Geneva to give their verdict on a draft nuclear test ban treaty. In June, negotiators were unable to agree vital issues including conditions for the pact to enter into force and the regime for on-site inspections. Jaap Ramaker, the chairman, hopes his draft can be agreed this week, enabling the treaty to go forward for signing at the UN general assembly in September. India, which will not sign the pact, has not



Possible action against Major Pierre Buyoya (centre), Burundi's military ruler who took power last week, is to be discussed by African statesmen on Wednesday

indicated whether it will block agreement. Decisions must be by consensus.

Finance ministers in Chile

Eduardo Aminat, Pedro Malan and Guillermo Ortiz, the finance ministers of Chile, Brazil and Mexico respectively, address a seminar in Santiago. They will present economic forecasts for their countries and talk about business opportunities in Latin America. Chile's once-inclusive companies have invested an estimated \$6bn (£5.7bn) in the region in the past four years, and \$4.4bn in 1995 alone, mainly in Argentina but also in Peru, Bolivia, Brazil and Colombia.

Public holidays

Bangladesh, Netherlands Antilles, Peru, Sri Lanka.

TUESDAY 30

G7 conference on terrorism

Foreign and interior ministers from the Group of Seven industrial countries, and Russia, meet in Paris to try to put forward recommendations for combating terrorism. The meeting may gain a greater sense of urgency in the light of recent bomb attacks in Spain by Eta, the Basque separatist group, and moves by Bill Clinton, the US president, to put the adoption of more concrete measures to fight terrorism high on his electoral agenda. It is likely to generate more co-operation on drug trafficking and organised crime.

US employment data awaited

Financial markets are eagerly awaiting the release of the US employment cost index for the second quarter. This arcane

statistic is attracting interest because it includes the most reliable measure of US wage inflation. Confirmation of a trend towards higher pay awards evident in the first three months would increase the chance of an early increase in US interest rates. Markets will also be watching figures for second-quarter growth, due on Wednesday, and July employment, due on Friday. Another big increase in payroll employment could trigger a tightening of monetary policy in August.

Moonlight at the Acropolis

Tourists in Athens are allowed to visit the Parthenon by moonlight for the first time in 20 years. Keeping the Acropolis open this summer until 1.30am on the night of the full moon is part of a plan to make the city more attractive to visitors. However, it may be scrapped if some Greek archaeologists get their way. They argue that opening the fifth-century BC temple precinct at night could encourage vandalism.

Clarke and George meet

Kenneth Clarke, the UK chancellor, holds his regular monetary meeting with Eddie George, the governor of the Bank of England. The chancellor is likely to leave interest rates on hold, after the state of strong consumer spending data and hints of an improvement in manufacturing.

Women in the workplace

Improving the lot of the world's women workers is the theme of an action guide published by the Geneva-based Interna-

tional Labour Organisation. Nearly half of all women are in the labour force, but they work longer hours and are paid far less than men. The report, a follow-up to the 1995 UN conference on women in Beijing, says that nowhere has equality of opportunity and treatment been achieved. Recommendations include measures to protect women from workplace hazards and improve social security protection.

Horse racing

Start of the "Glorious Goodwood" race meeting: one of the highlights of the English summer social season (to Aug 3).

Public holidays

Cuba, Netherlands Antilles, Sri Lanka, Thailand, Vanuatu.

WEDNESDAY 31

Leaders discuss Burundi

Presidents Benjamin Mkapa of Tanzania and Yoweri Museveni of Uganda meet in Arusha, Tanzania, to discuss action about last week's Tutsi coup in Burundi. The two have condemned the overthrow of Hutu president Sylvestre Ntibantunganya but have stopped short of calling for his restoration. Possible action against the new regime, led by Major Pierre Buyoya, includes stopping Burundi's use of the two countries' road and railway links for imports and exports. Diplomats say agreement between African leaders is crucial to the global response, and without it Western countries will have an excuse to avoid action.

Colombian drug baron freed

Another Colombian drug baron is to leave jail, after serving 5½ years. Juan

David Ochoa Vasquez, a Medellin cartel leader, walked out of prison only a few weeks after his brother, Jorge Luis. Another brother is to be freed in August. Accused of smuggling hundreds of tons of cocaine, money laundering and several murders, the brothers surrendered in return for soft sentences. Meanwhile their Cali colleagues, Miguel and Gilberto Rodriguez Orejuela, have accepted charges of drug trafficking and money laundering. This coincides with pressure for the reinstatement of extradition to the US, where they would face life sentences.

Final bids for MoD homes

Final bids must be received for the 58,000 homes in the Ministry of Defence married quarters estate. Defence chiefs hope the privatisation will raise between £1.5bn and £2bn. The shortlisted bidders are groups led by British Land, the UK property company, ING, the Dutch financial institution, Nomura, the Japanese securities house, and a consortium consisting of Lehman Brothers and Bankers Trust, the US investment banks.

Ifor commander steps down

US Admiral Leighton Smith steps down as commander of the Nato-led Implementation Force (Ifor) in Bosnia. He will be replaced by Vice-Admiral Joseph Lopez, the deputy chief of naval operations in the Pentagon. Meanwhile, as part of the pressure on Serb leaders to comply with the Dayton peace plan, John Kornblum, the senior US envoy for the region, will return this week to former Yugoslavia.

Nato mandate up for renewal

The deadline expires for Turkey's parliament to renew the mandate for US-led air patrols based in Turkey to continue enforcing a United Nations no-fly zone over Iraq's Kurdish provinces. Operation Provide Comfort began after the Gulf war to protect Iraqi Kurdish rebels from Baghdad and to stop mass migration of local Kurds into Turkey. But Turkish politicians claim western involvement in northern Iraq sheltered guerrillas of the Kurdish Workers Party (PKK). The new Islamist-led coalition, which criticised the operation in opposition, is under intense pressure from the US and the Turkish military to allow the flights to continue.

Brazil election campaign

Campaigning officially starts for Brazil's municipal elections, which will be the first electoral test of the government of President Fernando Henrique Cardoso. Voters go to the polls on October 4 to elect mayors in more than 4,000 municipalities. Four out of 51 senators and 121 out of 513

federal deputies are running for initial office; many will retain their seats. In congress during the campaign, even those congressmen not running will devote themselves mostly to campaigning for their colleagues - making it harder for Mr Cardoso to push through his already-delayed reform programme.

Public holidays

Benin, Bermuda, Nicaragua, Switzerland, Trinidad, Zaire.

FRIDAY 2

BT responds to Ofcom

British Telecommunications is to respond to the UK telecommunications industry regulator's proposals for controls on its prices and ways of policing its activities to 2001. The regulator, Ofcom, proposes BT limits price increases for residential and small business users to the rate of inflation minus 4.5 percentage points. But he is also linking this to a fair trading condition - which might trigger BT's rejection. This would force Ofcom to refer the issue to the Monopolies and Mergers Commission.

Public holidays

Bermuda, Cook Islands, Costa Rica, Macedonia.

SATURDAY 3

Bowls

Women's world championships, Leamington Spa, England (to Aug 24).

Sailing

Cowes Week, Isle of Wight, England (to Aug 10).

Public holidays

El Salvador, Equatorial Guinea, Niger.

SUNDAY 4

Olympic marathon ends

After a terrorist bomb outrage and fierce controversy over organisational mishaps, the Atlanta Olympics come to a weary end. The last day is climaxed by the men's marathon and the closing ceremony. Apart from the bomb attack, Atlanta's Games will be recalled for the row over IBM's computer system and the host country's alleged jingoism and orgiastic flag-waving. Once the Games close, the spotlight will switch to Sydney, Australia, which may be regretting its offer to host the millennial Olympics in 2000.

Public holiday

El Salvador.

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Other economic news

Monday: Japan and the US are likely to be in the spotlight this week, with fresh economic data providing clues about trends there.

June's industrial production in Japan is expected to show a small fall, after last month's rise.

Tuesday: Japan's unemployment data should show little change, although some economists hope that the rate will have edged down slightly in June.

Wednesday: Japan's construction and housing data is likely to show little change.

Meanwhile, France's unemployment rate is expected to be flat in June. The French INSEE survey of industrial companies will be closely watched for any hints of a downturn.

Thursday: A feast of US data will have the markets on edge today: The US second quarter gross domestic product data will be watched for signs that the country's economy is accelerating.

Meanwhile, July's survey of purchasing managers may provide evidence of stronger demand.

Friday: US July payroll figures are forecast to show further strong growth.

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	June whsl pr/index (2nd 10 days)	-	0.1%
July 29	Japan	June industrial production†	-1.7%	2.4%
Japan		June shipmenstr†	-	2.8%
UK		June consumer credit	£750m	£684m
Italy		June hourly wages	4.0%	4.0%
Belgium		July consumer price index*	0.4%	0.0%
Belgium		July consumer price index**	1.8%	1.8%
Spain		Q2 quarterly unemployment	22.5%	22.9%
Aus./Ira		June current account \$bn	-1.8	-2.15
Tues	Japan	June unemployment rate	3.4%	3.5%
July 30	Japan	June job offers/seekers ratio	0.7%	0.68%
US		Mitsubishi index	-	0.3%
US		June new home sales	780k	828k
US		July consumer confidence	99.0	97.6
France		May trade balance†	FF/-6bn	FF/-3.6bn
Sweden		June trade balance	Skr/12bn	Skr/12.4bn
Aus./Ira		June building approvals	0.5%	1.7%
Wed	US	July Chicago NAPM†	54.0%	53.3%
July 31	US	July agriculture prices	-	7.2%
Japan		June construction orders**	-	-8.8%
Japan		June housing starts**	19%	16.1%
France		June construction starts**	-	21.5%
France		June unemployment rate†	12.4%	12.4%
France		June jobseekers†	0.8%	1.0%
Canada		May real GDP - factor cost*	-	7.2%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thurs	US	Q2 GDP advance	3.8%	2.2%
August 1	US	Q2 GDP deflator advance	2.6%	2.4%
US		June construction spending	0.8%	-0.8%
US		M2 (w/e July 22)	\$6.3bn	\$6.3bn
US		July domestic auto sales	7.2m	7.3m
US		July domestic light truck sales	5.8m	6m
Japan		July auto sales**	-	-4.3%
Norway		Q2 GDP advance	-	2.2%
Venezuela		June consumer prices index*	6.0%	7.1%
Venezuela		June consumer prices index**	114.6%	108.1%
Fri	UK	July official reserves (\$bn)	-	\$119m
August 2	Ireland	July unemployment rate	12.6%	12.8%
US		July non-farm payrolls	190k	239k
US		July manufacturing payrolls	5k	7k
US		July hourly earnings	0.3%	0.8%
US		June factory orders	-0.3%	2.4%
US		July unemployment rate	5.4%	5.3%
During the week...				
Germany		June ind. production (West)*	-	0.9%
Germany		June ind. production (East)*	-	1.9%
Germany		June manuf. output (pan Ger)*	-0.3%	1.1%
Germany		June ind. production (pan Ger)**	-0.3%	1.0%
Switz		July fed. consumer prices index*	0.8%	0.9%
Brazil		June unemployment rate	5.8%	5.91%

*month on month. **year on year. tress.ad

Statistics, courtesy MMS International.

